

Dutch government approves measures to try to prevent airport noise rising above agreed level

Tighter night flight curbs at Schiphol

By Gordon Cramb
in Amsterdam

Amsterdam's Schiphol airport, the fourth busiest passenger hub in Europe, is to be closed to new services at night after the Dutch government acted to curb a breach in its agreed noise impact on local residents.

The 11pm to 6am ban will also force the rescheduling or cancellation of existing flights which use the noisiest types of aircraft, such as older DC-10s. Slightly less intrusive types of big jet, including older Boeing 747s, will be allowed to land during curfew but not take off.

The measures, agreed by the cabinet and subject to parliamentary approval this week, are due to come into effect in October.

They are in response to the granting of an injunction sought by Schiphol carriers and freight handlers against restrictions which the airport had intended to impose. Haarlem judges ruled this month that only Annemarie Jorritsma, the transport minister – rather than the airport itself – was entitled to bring in such limitations, although these were necessary to enforce a legal requirement that the airport should stay within specified noise limits.

Growth in traffic, along with difficulties in interpreting the environmental impact data, mean that

Schiphol is up against its 1997 decision quota.

The delay until October means the summer schedules of charter operators will remain intact. But environmental groups say they will take Mrs Jorritsma to court if the noise ceiling is breached.

Charter and cargo companies face the most disruption. Ground handlers say as many as 25,000 jobs are at risk if Schiphol remains subject to the curbs.

But the FNV, the Netherlands' main trade union federation, maintains that employment can grow within the existing environmental standards, and rejects as too costly the suggested creation of an artificial island in

the North Sea for a new airport.

"It will cause much pain and lead to upheaval," Mrs Jorritsma said of her measures, which also involve appointing an independent authority co-ordinator to allocate slots, by day as well. State-owned Schiphol will thus join Heathrow and Frankfurt as a "co-ordinated" airport – where take-off and landing slots are to be apportioned – but will be the first important hub in the European Union to be given that status on environmental grounds rather than lack of runway or terminal capacity.

Take-off and landing rights are to be apportioned in a way likely to be difficult for newcomers.

There were fears at the weekend

that the moves might leave KLM, the Dutch flag carrier, vulnerable to retaliatory measures from authorities in other countries.

Greenpeace, the environmental group, at the weekend extended its campaign against energy exploration by occupying a site in the Wadden Sea, a Dutch tract of tidal mudflats where Shell and Exxon have been seeking to drill for gas.

The site is just outside an area which a judge in the Friesland capital Leeuwarden in April provisionally declared off-limits to NAM, a joint venture between the two oil majors. The Greenpeace move came as NAM sought to move a rig to the site to begin test boring.

Business Travel, Page 10

Three Gorges prizes go to Europe

By James Harding
in Shanghai

China yesterday formally confirmed the award of the first contracts to supply power generation equipment to the Three Gorges Dam, the world's largest hydro-electric project, to consortia led by European engineering companies.

The contracts for the 14 generating units are worth \$740m, slightly lower than bidders had previously forecast, reflecting the fierce competition to secure deals in the early stages of the project that will span the Yangtze river.

GEC Alsthom, the Anglo-French group, and ABB Power Gen of Switzerland have been asked to provide eight power units, comprising turbines and generators, at a total price of \$420m. Kvaerner of Norway and Harbin Electric Machine, a Chinese company, will be the leading subcontractors for the eight units.

The contract for the other six units, valued at \$320m, has been awarded to the consortium which includes Siemens of Germany, Voith Hydro and General Electric of Canada. Another Chinese engineering enterprise – Dongfang Electric Machine – will be the chief subcontractor for the manufacture of those six units.

The portion subcontracted to the Chinese enterprises, Dongfang and Harbin, account for 31 per cent of the total contract price, according to a statement from the China Yangtze Three Gorges Project Development Corporation, which is overseeing the construction of the \$30bn project. The consortia that have won the contracts have agreed to carry out technology transfer to the two Chinese companies.

The 14 hydro turbine generating units will have an installed capacity of 700MW each and a total installed capacity of 9,800MW. In all, 26 power units will be required by the Three Gorges Project. Three Gorges officials have reported that the further 12 units are likely to be built in China.

Construction of the Three Gorges project is due to be completed in 2009, when the hydroelectric plant will be able to provide the equivalent of one tenth of China's electricity output. The project, which will require over 1m people to be rehoused, has been widely criticised by environmental groups.

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Jospin's job plan may only give short-term relief to French youth

Old job men for the elderly; companions for children on long journeys; welcome for prison visitors. Are these the sorts of jobs to solve the chronic unemployment problem that has become France's main economic and social scourge and contributed heavily to the centre-right's surprise general election defeat in June?

Lionel Jospin's new Socialist-led government evidently believes that they are. Last week it unveiled a bill that will be the centrepiece of its early legislative programme, aiming to create 350,000 public sector jobs over three years, in part fulfilment of its campaign promise to create 700,000 "real" jobs for young people.

According to Martine Aubry, employment and solidarity minister, the government's plan is essential to restore hope to France's disillusioned youth. A 76-page document accompanying the bill talks grandly of "facilitating the progressive emergence of a new model of growth and development".

The basic idea behind the new legislation – which will be the first bill debated when parliament reconvenes next month – is that French society harbours many needs that neither the public nor private sectors have, until now, proved able adequately to meet.

These stem from either shortcomings in existing public services or changes in society, such as the ageing of the population and the breakdown of traditional family structures. The new jobs will be designed to address some of these needs.

The government believes

that, since the tasks are not being properly performed and since the definitions of the new jobs will be carefully drawn, there is little or no danger that they will simply provide cheap substitutes for existing, unsubsidised jobs.

It also insists that the cost of the programme, which will reach FF10bn (\$1.6bn) next year before rising to an annual FF35bn, can be met without adding to overall public spending.

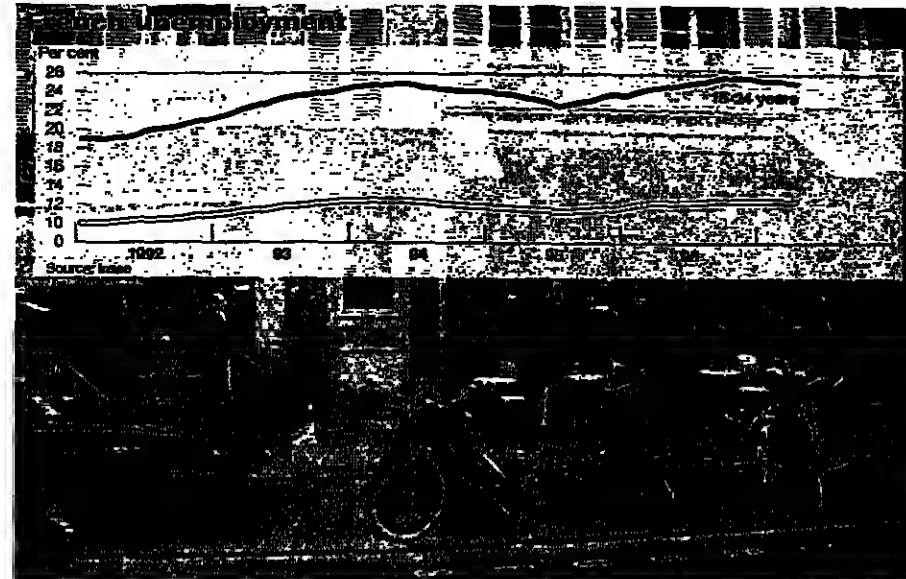
The jobs, which will be targeted primarily at those aged under 26, will be paid at the minimum wage. Funding equivalent to 80 per cent of this will come direct from the state.

There is no doubting the need for new jobs. More than 3m people are out of work, with the cumulative rise in the number of jobless in May and June reaching nearly 50,000. The situation is particularly serious among the 15 to 24 age group where about one in four is unemployed.

But can this attempt to reduce unemployment by temporarily subsidising the provision of services actually work?

In the short term the answer is probably yes; the education ministry has already indicated it will take on about 75,000 young people in the 1997 and 1998 period. Indeed one of the concerns of leading centre-right figures such as Jacques Chirac seems to be that the plan may work all too well. The French president last week warned against "a massive creation of permanent public jobs" as the bill was presented in cabinet.

But many observers are



sceptical. Eric Chaney, senior economist with Morgan Stanley in Paris, says the net impact could eventually make unemployment higher rather than lower. He believes many of those trying to re-enter the labour market at the age of up to 30 after five years of doing one of these jobs may find the going tough. "Labour economists have an eloquent word for the negative side-effects of targeted labour policies: stigmatisation," he says. "In the short term, the job plan could be successful, but in the medium term, the risk is of a total backfire."

The centre-right's Nicolas Sarkozy predicts a different but equally damaging "infernal spiral". "The massive creation of public jobs will lead inevitably to an increase in public spending and therefore taxes," he says. "This increase will penalise companies and con-

sumption and lead to a reduction in the number of private and commercial jobs offered to young people."

In the final analysis much will depend on whether the jobs envisaged by the new plan become valued enough to be maintained once the hefty government subsidy has disappeared. It is certainly the government's aim to make them so. As the document accompanying the bill explains: "This [five years] period must be used to find diverse sources of finance to perpetuate the projects" from the public and private sectors.

Some argue, however, that the government would have been better advised to try to harness private initiative from the outset. In Mr Chaney's view, the best course of action would have been to "subsidise" the private sector.

The focus will switch to

the private sector, where the government hopes to create the other 350,000 promised jobs, in September or October when a showpiece conference involving business and the trade unions is planned.

Details of this side of the government's plans remain sketchy, although Dominique Strauss-Kahn, finance minister, has hinted the government may offer tax incentives to companies in return for investment and job creation measures.

Many observers also hope that this conference will also start to address the serious structural logjams, such as high non-wage costs and lay-off restrictions, that are widely seen as a prime underlying factor behind the country's unacceptably high unemployment.

David Owen

Turks bar Kurd 'peace train'

By John Barham in Ankara

The Turkish government has prevented a "peace train" chartered by a German pro-Kurdish organisation that would include the South African Nobel Peace prize laureate Archbishop Desmond Tutu among its 300 passengers from travelling across Europe to its planned destination of Diyarbakir, capital of the mainly Kurdish south-east of Turkey.

Germany's Hanover Appeal chartered the train, which was to have left Brussels tomorrow to draw international attention to the need for a peaceful solution to the 13-year conflict in the region. The organisers accuse Turkey of piling diplomatic pressure on Germany and the Balkan countries to prevent the train crossing their territory

on its week-long journey. Government officials denounced the peace train as an initiative inspired by the Kurdistan Workers party (PKK). Organisers said Ankara had forced Bulgaria, Romania and Yugoslavia to block the train. Germany's state-owned railway company, Deutsche Bahn, refused to charter the train because these countries would not allow it to use their networks.

As well as Archbishop Tutu, passengers were to include Mrs Danielle Mitterrand, widow of the former French president and a veteran supporter of the Kurdish rights campaign. European, Turkish and Kurdish artists, writers and politicians were also expected.

Although cancellation of the peace train was a minor triumph for Ankara and dip-

lomats admit that European pro-Kurdish groups are sometimes linked to the PKK, the government's tough line has disappointed those hoping for a more flexible approach to the Kurdish insurgency. Analysts say the policy of successive governments, usually acting at the behest of the powerful military, to crack down on all moderate Kurdish nationalist parties and organisations has by default made the PKK virtually the only political organisation with legitimacy among most Kurds.

Mesut Yilmaz's two-month-old secularist government has said it plans to abolish emergency rule in nine predominantly Kurdish provinces as part of a wider normalisation policy towards the region and has promised to improve the country's human rights

record. Emergency rule grants the security forces sweeping powers to combat the PKK but human rights campaigners say troops habitually abuse these powers to violate basic rights.

However, fighting continues to rage in the south-east, where over 26,000 civilians, soldiers and guerrillas have died since the PKK's uprising started in 1984.

And parliament's decision two weeks ago to grant partial amnesty to newspaper editors jailed for breaking the country's security laws by publishing news and commentary on the Kurdish conflict also disappointed campaigners for freedom of speech when only six prisoners were released. Under the amnesty law they could be re-imprisoned if they commit the same offence within three years.

Cyprus confirms missile plans

The Greek Cypriot government said yesterday that it would go ahead with plans to install Russian air defence missiles next year in spite of Turkish threats of a military strike if the weapons are deployed. John Barham reports.

Yannikis Cassoulidis, foreign minister, said: "There is no question of postponing the deployment of the missiles." His statements indicate that the risk of conflict on the island remains as great as ever, after the collapse last week of United Nations-sponsored peace talks in Switzerland between leaders of the island's Greek and Turkish communities.

The internationally recognised Greek Cypriot government ordered the Russian-made S-300 anti-air missiles in January. Ankara, which stations 30,000 troops in Turkish northern Cyprus, said "they will be hit" to prevent them threatening mainland Turkey.

Mr Cassoulidis told the conservative newspaper Agon that "various western countries, including the US, are disgruntled with the purchase of the Russian missiles, but the S-300 will be deployed unless the reasons for which we were obliged to order them no longer exist".

Diplomats fear that Turkey and Greece could be drawn into conflict over Cyprus. However, commentators believe the Greek Cypriots announced the purchase more as a political manoeuvre to draw attention to the continuing 23-year division of the island since the Turkish army invaded it in 1974.

INTERNATIONAL NEWS DIGEST

Clinton makes 'fast-track' plea

President Bill Clinton launched his campaign for a continent-wide Free Trade Accord for the Americas by appealing to Congress this weekend to grant him the mandate to negotiate new trade agreements.

In his weekly radio address, from his holiday home in Martha's Vineyard, off the coast of Massachusetts, Mr Clinton said he would formally ask Congress in September for "fast-track" authority, which allows him to conduct trade negotiations without the cumbersome risk of a line-by-line legislative veto.

Under fast-track, Congress gives up its power to amend trade agreements, voting only for or against the whole package.

Anticipating tough opposition from labour unions and his own Democratic party to further trade negotiations, Mr Clinton said: "If we don't seize these new opportunities, our competitors surely will."

More than 25 per cent of US economic growth, he said, had come from overseas trade in the past four years. Fast-track authority would "help to ensure that American companies and workers compete in the global economy that is open, with a level playing field, with rules that are fair and enforced".

The Republican-controlled Congress has refused to renew the president's fast-track mandate since 1994, due to the controversy over Mexico's admission to the North American Free Trade Area and disagreements about whether labour and environmental issues should form part of trade agreements. Leslie Crawford, Washington

ZAMBIA SHOOTING

Kaunda 'assassination' bid

Aides of Kenneth Kaunda said the former president of Zambia was the target of a failed assassination attempt by police as he attempted to address an opposition party rally at the weekend. Mr Kaunda was struck on the forehead by a bullet as police fired on his car, said an official of his United National Independence party (Unip), adding that his life was not in danger.

A Unip official said the party had learnt that President Frederick Chiluba's ruling Movement for Multiparty Democracy had plans to "eliminate" Mr Kaunda.

Mr Kaunda, 73, was recovering in hospital guarded by party supporters. Roger Chongwe, chairman of the National Opposition Alliance, which includes Mr Kaunda's party, was also shot and wounded at the rally in Kabwe, a central Zambian garrison and mining town 150 km north of the capital, on Saturday.

Mr Kaunda was ousted in elections in 1991 but remains a key political figure and critic of Mr Chiluba, who succeeded him. Mr Kaunda has slammed the government's attempts to restrict the media and emasculate the judiciary. Agencies, Lusaka

SECURITY COUNCIL

Brazil-Argentina row calmed

Brazil and Argentina appear to have smoothed over a diplomatic row that erupted last week over conflicting bids for a permanent seat on the United Nations Security Council. Presidents Fernando Henrique Cardoso and Carlos Menem, meeting at a summit of the 14-nation Rio Group at the weekend, said the issue must not be allowed to weaken ties within the Mercosur trading group, whose other members are Paraguay and Uruguay.

Mr Cardoso said Brazil and Argentina shared the same objective at the UN: "We want a vote, a voice and a veto. We want full participation for the country or countries that come to represent our region."

His comments suggest a change of tack in Brazil's campaign for a permanent seat on the Security Council and imply a willingness to consider Argentina's proposal that the seat should rotate between Latin American countries.

Mr Menem angered the Brazilian government last week when he said a permanent Brazilian seat would "upset the balance" of power in the region. His comments were taken by some in Brazil as reflecting US efforts to weaken ties in Mercosur at the expense of a proposed Free Trade Area of the Americas. Jonathan Wheatley, São Paulo
Brazil keeps investors guessing, Page 18

TRADE GAP

Mexico reports a deficit

Mexico has reported its first trade deficit since the country's peso devaluation over 2½ years ago. In preliminary figures for July, the Finance Ministry registered a deficit of \$20m. Exports in July totalled \$9.4bn, the highest monthly total in the country's history.

A move into the red during the course of this year had been widely expected. The recent strength of the peso has caused exporters to complain and has made imports cheaper for Mexican purchasers.

The biggest increase in imports was for consumer goods, up 43.8 per cent on the same month a year before. The figures also showed an increasing disparity between the tax-exempt assembly plants known as maquiladoras, which increased exports by 26.9 per cent, and the rest of manufacturing industry, which increased exports by 14.9 per cent. Daniel Dombey, Mexico City

KASHMIR CLASH

Border firing kills six

Pakistan and India accused each other yesterday of unprovoked cross-border firing in the disputed Kashmir region, killing at least six people, and of trying to scuttle planned peace talks between the two rivals.

Pakistan officials said Indian troops fired artillery and mortars along the military control line in the Himalayan region for the second day running, killing four people and wounding several others in two days. India acknowledged two of its soldiers were killed.

An Indian foreign ministry spokesman in New Delhi accused Pakistan of unprovoked firing and denied Islamabad's charge of aiming to sabotage a third round of peace talks there set for next month. A Pakistan defence ministry spokesman yesterday denied an Indian charge of unprovoked Pakistani firing in the Kargil and Uri sectors of Kashmir.

Islamabad and New Delhi in June agreed to negotiate the future of Kashmir, whose disputed ownership has been the object of two of the three wars fought between the two countries since they split at independence 50 years ago. The move was part of a broad agreement reached by the two countries to place all "outstanding issues" between them on the table for negotiation. Reuters, Islamabad

JAMAICA PRISON RIOTS

15 die after jail strike

Fifteen prisoners have been killed in several riots over the past three days in Kingston's main prison, following a strike by warders. About 15 others are being treated in hospital. The warders have ended the strike, but prison officials said the situation at the city's general penitentiary was "tense and chaotic".

Most of the inmates were killed by knives stolen from the prison's kitchen during the warders' strike. The strike followed a statement from John Frowood, head of the correctional services, that warders and inmates would be given condoms in an attempt to prevent the spread of the AIDS virus. The warders claimed that the offer of condoms implied that they were having affairs with inmates. Corrie James, Kingston

Talks open way for Tokyo to consider humanitarian aid

Japanese to soften line on N Korea

By Owen Robinson in Tokyo

Japan is set to soften its hardline stance against food aid to famine-stricken North Korea, after the two countries agreed in Beijing on Friday to resume talks on normalising links.

Yukihiko Ikeda, Japanese foreign minister, said yesterday that "major strides" achieved in last week's informal talks had improved circumstances "sufficiently" for Japan to consider humanitarian aid.

Japan's uneasy relations with the secretive communist state have deteriorated since official normalisation talks were suspended in 1992, following Tokyo's accusations that North Korean agents had abducted Japanese nationals.

Since then Japan has protested about several other issues, including Pyongyang's nuclear weapons programme and test firing of missiles in Japanese waters, and its refusal to allow Japanese wives of North Korean men to return to Japan to visit relatives.

Both countries have refused to negotiate bilaterally. But the famine in North Korea has generated intense international pressure on Japan - notably from the US - to provide food aid. The diplomatic pressure and publicity about Japan's stance was becoming "highly embarrassing," a Japanese government official admitted yesterday.

Japan's deep-rooted concerns about North Korean nuclear developments have also generated debate about shifting to a less hardline stance to encourage greater co-operation.

Friday's talks nearly stalled because of Pyongyang's demands for more food aid than Japan was prepared to give in exchange for an agreement on home visits for wives. The breakthrough came when negotiators agreed to establish a liaison committee within 10 days through Red Cross societies in both countries.

About 1,330 Japanese women are believed to have accompanied their husbands to North Korea after the Korean war, under a repatriation agreement concluded in 1959 to enable North Korean nationals living in Japan to return home.

The first wives are expected to visit Japan by late September, the first time Japanese spouses of North Korean nationals will have received permission to leave the country for home visits.

Mr Ikeda said North Korea also agreed in Friday's talks to co-operate with investigations into the alleged abduction of Japanese nationals and the safety of Japanese residents in North Korea.

"The agreement in general was what Japan had hoped for, and I think the talks were very meaningful. But it is now entirely up to both sides whether we realise it or not," he said.

Kenyan sugar growers reap bitter harvest

Illegal dumping on a massive scale has triggered a crisis in the industry, writes Michela Wrong

At the Mumias sugar factory in Kenya's Western province, the mood is cheerful after weeks of tension. "This is what we like to see: lorries queuing up outside the factory and bags disappearing. It's when the stocks pile up and no one comes to collect them that we worry," says a worker.

A delegation of foreign lawyers and economists that arrived in Nairobi at the weekend will decide whether that cheerfulness endures or evaporates. The International Monetary Fund's latest mission to Kenya could determine whether the sugar industry, on which 3m people depend for their livelihoods, collapses or survives.

For the Fund, President Daniel arap Moi's decision last month to remove the country's top customs official as he was investigating sugar smuggling was the last straw, prompting an institution grown weary of the sleaze factor in Kenyan politics to suspend a \$220m loan agreement.

Now the IMF is back, responding to a personal appeal from a president perhaps taken aback by the disastrous impact suspension has had on the economy.

But while legal action to punish 11 offenders has been announced, few in the sugar world believe it is enough to halt the practice that has triggered the most serious crisis in the industry's history: massive illegal dumping of imports by businessmen with links to the highest echelons of government.

"A few weeks ago, just when the industry was on the point of collapse, the dumping eased," says an industry analyst.

"But we understand there are tens of thousands of



The good times have returned for Kenya's sugar workers, but the reprieve may be only temporary

tonnes of sugar lying in warehouses in Mombasa. Once the shilling strengthens, we expect them to be released on the market and the whole thing will start again."

The reason, cynics say, is simple. Elections are due in Kenya by the end of the year and the ruling Kanu party needs cash. The new independent status of the Central Bank and its governor's tight management have cut off a traditional avenue. What printing of money did for the 1992 elections, sugar dumping will do for the 1997 polls.

Allegations that part of the smuggling profits helps fund Kanu's electoral campaign are made in private by senior government officials as well as industry workers. "The story is that Kanu is filling its war-chest," says a sugar farmer. "If that is true, there can be no halt until the elections are over. These



Kenya's Sugar Authority, who owns a lime factory in Nyanza and boasts a small sugar farm. "Yields here are probably the best in the world. It could be the most profitable crop in the country."

Instead the sector today fails to meet annual demand of 550,000 tonnes. The smuggling problem, which has taken off in the past year, dealt a devastating blow to a sector already suffering from poor state management and political interference.

The scam goes into effect at the notoriously corrupt port of Mombasa, where importers claim the sugar is in transit, destined for Tanzania and Uganda, and therefore not liable to tax.

They then release it at rock-bottom prices on the Kenyan market.

At its height the flood left sugar factories with unwanted stocks rotting in their warehouses. They reacted by slashing prices to levels where they could no longer make a profit, delaying payments to outgrowers and postponing cane harvesting.

Mumias, which produces more than 55 per cent of Kenya's sugar and is the biggest sugar factory in eastern Africa, has stubbornly continued paying the 44,000 farmers that depend on it.

But the importing of sugar on which duty has not been paid "cost us half a billion shillings in lost profit last year," estimates David Carter, Mumias' manager. "If this continues we will rapidly go bust and the industry itself could be destroyed."

The Kenya Union of Sugar Plantation Workers puts the total loss to the industry at more than K\$840m (\$12m) this year.

A by-product has been a cooling of interest by foreign companies approached over

the privatisation of the industry, another IMF loan condition which the government has been slow to comply with.

Few want to invest in a sector that risks going the same way as Kenya's cotton industry, which collapsed years ago through poor management.

While there is no shortage of complaints, the sugar lobby seems incapable of the kind of campaign other Kenyan groups mounted when systematic illegal dumping threatened their agricultural industries.

The explanation lies in the location of the country's sugar factories, in the heart of two provinces populated by the Luo and Luhya ethnic communities, stalwart opposition supporters. In 1992 Nyanza voted solidly against Mr Moi, while he barely scraped a victory in Western province.

The president has reserved particular suspicion for the Luo since Luo members of the air force staged an abortive coup in 1982.

Locals, angered by the government's failure to prevent the recent victimisation of "upcountry" citizens who had settled on the coast, regard the apparent willingness to see the sugar industry collapse as part of a long-term war of attrition against a group Nairobi views as intrinsically hostile.

"Kikuyu coffee farmers had a similar problem a few years ago, but when they complained action was taken," says Henry Okullu, a former bishop who now runs a civic education group in Kisumu, Nyanza's provincial capital.

"But when a Luo minister denounced the dumping last year he was immediately removed."

"Under this government there is a deliberate policy of neglect."

Netanyahu in Tokyo visit to boost business

By Owen Robinson

Benjamin Netanyahu, Israeli prime minister, will today meet his Japanese counterpart, Ryutaro Hashimoto, and business executives in Tokyo in an ambitious effort to attract investment from large Japanese companies.

Mr Netanyahu, accompanied by one of the largest delegations of Israeli politicians and industrialists to visit Asia, will travel on to South Korea in a week-long trip to boost trade with the region.

His visit comes at a time of growing tension in Israel, as the Middle East peace process falters in the wake of a recent suicide bombing in Jerusalem's market and guerrilla attacks on northern Israeli settlements.

The Israeli premier's decision to proceed with his Asian trip reflects the priority he is putting on economic growth and foreign investment. He will discuss with Japanese business leaders his ambitious plans to privatise state enterprises and deregulate the economy "with a vengeance".

Japan has traditionally shown reluctance to strengthen links with Israel, primarily because of its heavy reliance on Arab states for oil. Security concerns over terrorist attacks and Arab-Israeli conflict

have also deterred companies from direct investment. Bilateral trade between Japan and Israel increased marginally to \$2.5bn in 1996 from \$1.9bn in 1994, when the late Yitzhak Rabin became the first Israeli leader to visit Japan and South Korea on a similar mission.

However, the figure is negligible in comparison with trade levels between Japan and other small and medium-sized trade partners. Japan accounts for only \$27m worth of direct investment in Israel.

In Tokyo Mr Netanyahu is expected to push the government for Japanese landing rights for El Al, the state airline due to be privatised, and the establishment of direct air links with Israel. Japan has turned down previous requests.

He is likely to draw a more positive response from South Korean leaders when he lands in Seoul on Wednesday night.

Bilateral trade between South Korea and Israel grew more than 30 per cent last year and has grown further this year. Israel has also drawn direct investment from large Korean companies, including Samsung Electronics and Hyundai, and enjoys direct air links with Seoul.

First woman appointed to top Iranian post



Khatami: big victory

By Robin Allen in Dubai

Mohammed Khatami, Iranian president, has appointed a woman for the first time as one of the country's vice-presidents.

Massoumeh Ebtekar, 36, a US-educated associate professor at Tehran University, will be one of eight vice-presidents, seven of whom have already been confirmed.

Mrs Ebtekar, who headed Iranian delegations at recent meetings of the UN-sponsored world women's conferences in Nairobi and Beijing, will be responsible for the country's environmental protection organisation.

The votes of women in elections last year in large measure ensured a massive victory for Mr Khatami. During his election campaign he promised to

appoint a female cabinet minister, but has not honoured the pledge, largely because of the low number of women deputies.

One Iranian political analyst said numerical logic dictated the presence of a woman at vice-president level.

"Fewer than one-tenth of the 270 majlis (parliament) deputies are women. It would take 20-25 women at the level of deputy minister before there could be one female minister, so a vice-president is the most there will be for the time being."

Another analyst said there would be more women MPs but for the blocking power of the conservative-dominated Council of Guardians, which has the authority not only to veto parliamentary candi-

dates but also to annul results.

The council exercised this power in 13 constituencies in last year's elections, notably in Isfahan and Malayer, while in Shiraz a popular woman candidate was forced out by the local clergy.

"The evolution of women to government positions will be a slow one," an analyst said. "The president on his own does not have the power to change that."

Although the contribution of women to Iranian political life is not reflected in their presence in official positions, they exert considerable influence at constituency level, particularly in Tehran, Isfahan, Shiraz and other provincial cities.

Faezeh Hashemi, the daughter of former president Ali Akbar Hashemi Rafsan-

jani, was, for example, the leading vote-winner in Tehran in last year's parliamentary election. She was a high-profile but ultimately unsuccessful candidate to be the first women minister. Zahra Rahnavard, the wife of former prime minister Mir Hussein Mussavi, is also much respected on the national stage.

Meanwhile, Mr Khatami is reported to have reconfirmed Mohsen Nourbakhsh as central bank governor, among other appointments confirmed at the weekend.

Besides Mrs Ebtekar the other vice-presidential appointments confirmed or reconfirmed include Mohammed Hashemi, brother of former president Rafsanjani, as vice-president for executive affairs; and Mohammed Ali Najafi to be

head of the important planning and budget organisation, a post which gives him a seat on the Supreme National Security Council, one of the key foreign policy-making institutions.

Mr Khatami had earlier confirmed Hassan Habibi as first vice-president, a post he has held since 1989 and, according to Iranian analysts, the only one of the eight vice-presidential positions apart from planning and budget to carry important executive functions.

Mr Habibi is acting president for Mr Khatami. He is also the secretary of the enlarged 36-member Expediency Council, an executive body which, under Mr Rafsanjani, is expected to be an important rival power centre to Mr Khatami and his cabinet.

Opponents of 'official' Mexican unions unite

By Daniel Dombey in Mexico City

Two months after historic elections that deprived Mexico's ruling party of its congressional majority for the first time in 68 years, another part of the country's traditional political system has come under threat.

A group of more than 100 unions representing 1m members has announced the creation of an organisation to compete with the "official" unions that have pro-

vided crucial support for the ruling Institutional Revolutionary party (PRI) for most of its history. The biggest unions involved previously belonged to pro-government organisations.

The announcement at the weekend underlines a significant change in the way Mexico is governed. Already, administration officials are questioning a business-labour-government agreement that has been used to control wages and prices over the last 10 years.

The agreement, known as the pacto, is traditionally announced in September or October and contains the rudiments of the budget for the next year. But with the lower house of Congress now in the hands of the combined forces of the opposition, and with the budget the hottest topic of debate, the government of President Ernesto Zedillo is unsure of its ability to deliver on pacto commitments.

At their first general meeting, on Friday and yesterday, the dissident unions made plain their hostility to the pacto. They also announced their opposition to new privatisations, to continued wage restraint and to the government's economic policy as a whole. The new union organisation, likely to be called the National Workers' Union, will be set up in November.

"The government said it would provide for the welfare of workers and their families. It did not keep its word," said Francisco Hernandez Juárez, the chief organiser of the new movement and formerly one of the union leaders closest to the government.

Mr Hernández Juárez said the organisation would work with the new Congress to alter Mexico's federal labour law to eliminate the government's role in authorising and arbitrating labour disputes.

Membership of PRI-affiliated unions is still effectively obligatory in many industries, although other

aspects of Mexico's corporatist past are disappearing. Businesses no longer have to be full members of the pro-government chambers of commerce and industry, although they still have to register with them.

However, the pro-government Confederation of Mexican Workers still claims some 5m workers and several of the main unions which had worked with Mr Hernández Juárez declined to join him in founding the new organisation.

Even Singapore, where an ethnic Chinese population has close ties with China, is a firm backer of the US military's presence in the region.

Indonesia, Asean's giant with a population of nearly 200m, also has a high-profile dispute with China over claims in the Spratlys. In Vietnam, centuries of uneasy relations have fostered suspicion of Chinese power.

"Too urgent an attempt to engage Asean at the expense of the US would be unlikely to bear fruit. It would also run the risk of creating divisions within Asean," one diplomat said.

And although the rapid growth of China's economic and military power suggests time may be on its side, it is as well to remember that the US remains the only true superpower. As Mr Li reminded his audience, "China does not have any aircraft carriers yet."

Beijing to embrace Asean in pursuit of a new order



Li: 'some attempt to bully weak'

A frisson of excitement rippled through the hall in Kuala Lumpur as diplomats huddled in conversation with colleagues from friendly nations and former cold war enemies. The subject of animated discussion was a speech just delivered by Li Peng, China's premier, which set out Beijing's policy toward south-east Asia.

The cornerstone of Mr Li's speech was that China would try to promote "a joint new and fair political and economic order" with the Association of South East Asian Nations (Asean), an increasingly influential diplomatic grouping of nine regional countries.

Although Mr Li avoided directly mentioning the US, it was clear that Beijing was hoping a new phase of solidarity with south-east Asia would provide a balance to Washington's traditional influence in the region.

"I think the current political and economic order in the world is not rational. Politically speaking, there exists inequality. Some countries attempt to lead the world and some also attempt to bully the weak and the poor," Mr Li told the audience in Kuala Lumpur.

Underlining his point, he said China supported a recent proposal by Mahathir Mohamad, Malaysia's prime minister, to review the universal declaration of human rights at the United Nations. Washington has expressed strong opposition to any such review, but Mr Li called Dr Mahathir's proposal "visionary and courageous".

Neither China nor Malaysia regards the human rights outlined in the declaration as necessarily universal.

The Chinese premier also attempted to ease widespread regional suspicions over China's territorial ambitions. He said the issue of Beijing's claims to the disputed Spratly Islands - a scattering of islets and reefs which span vital shipping lanes in the South China Sea - should be resolved peacefully, if not by this generation then by the next.

"We will not want to see [the Spratlys] becoming a burden to our relations," Mr Li said. Later, in a meeting with Dr Mahathir, he thanked the Malaysian leader for repeatedly rejecting the "theory of the China threat".

Diplomats said China's intention to seek a new order in south-east Asia should not be taken lightly, especially as it comes shortly after Beijing's \$1bn

contribution to a broad financial assistance package for Thailand, the first time China has participated in a regional deal of this kind.

Such signs of strengthening ties also precede a scheduled summit in December between Asean's leaders and those of China, Japan and South Korea. The summit, the first of its kind, is being styled as a one-off event to commemorate the 30th anniversary of Asean, but some south-east Asian diplomats have said they feel it should become an annual event.

If so, the summit would become the first top-level pan-Asian forum which does not involve the US even as a fringe participant.

But diplomats in Kuala Lumpur cautioned against too simplistic a reading of China's Asean initiative. They noted that Mr Li chose to deliver his address in Malaysia which, under Dr Mahathir, is renowned for its periodic outbursts of anti-US rhetoric. But in other Asean nations his speech may not have gone down quite so well.

Mr Li's support for a review of the universal declaration of human rights

is unlikely to have received such a positive reception in the Philippines, a staunch US ally and Asean member which is embroiled in a Spratly dispute with China.

Even Singapore, where an ethnic Chinese population has close ties with China, is a firm backer of the US military's presence in the region.

Indonesia, Asean's giant with a population of nearly 200m, also has a high-profile dispute with China over claims in the Spratlys. In Vietnam, centuries of uneasy relations have fostered suspicion of Chinese power.

"Too urgent an attempt to engage Asean at the expense of the US would be unlikely to bear fruit. It would also run the risk of creating divisions within Asean," one diplomat said.

And although the rapid growth of China's economic and military power suggests time may be on its side, it is as well to remember that the US remains the only true superpower. As Mr Li reminded his audience, "China does not have any aircraft carriers yet."



James Kynge Mahathir: anti-US rhetoric

Taiwan group to double Telford output

By Peter Marsh in London

Tatung, the large Taiwanese electronics company, is planning to double its output of televisions and computer monitors at its factory at Telford in the English Midlands, mainly on the back of expected strong demand in Europe for personal computers.

The intended expansion in output to up to 1m units a year by 2000 could create between 50 and 100 jobs at the plant, which at present employs 500.

A large part of the Telford output will be of a novel, combined TV set and computer monitor, which

the company designed in the UK and which is being launched this week.

Retaining at about £400, (\$652) it is designed to appeal to people who want the convenience of having their computer and TV in one box. Students and people living on their own will be among the group's target customers.

News of the expansion comes as Chung Hwa Picture Tubes, which is part of the Tatung group, plans to open a cathode-ray tube factory in central Scotland later this year.

The facility will ship a large proportion of its output to the Telford factory. Most of the tubes used at

the Telford plant come from Asia at present.

Tatung's plans for Telford underline the interest of non-UK electronic goods companies in increasing production from Britain.

The UK's television manufacturing industry has since the early 1980s been boosted by investments from Japanese companies such as Sony and Toshiba.

Sony is also making 1m computer displays at its British plant.

L.G. of South Korea plans to turn out 2m computer monitors a year in a new factory in south Wales, which should be fully operational by 2000.

Tatung made about 800,000 TVs and 200,000 monitors at Telford last year, and is projecting a similar figure for 1997. Output from the plant is estimated at about 250m a year. The first phase of expansion should begin next year, with production up to 700,000 units: 350,000 TVs, 250,000 computer monitors and 100,000 of the "hybrid" product.

Simon Chao, vice president of Tatung's Telford operations, said his target was to push this up to 1m by 2000, with most of the growth being in monitors.

Most of these are sold to leading personal computer

makers in Europe.

Mr Chao said it was likely the company would invest a further £1m or so at its Telford plant in the next few years.

This would add to the £30m it has spent at the factory since 1984.

Employment would rise depending on demand for the products.

Tatung's spending at Telford is small compared with the £260m cost of setting up the Chung Hwa plant in Lanarkshire, a much more capital intensive operation which is aimed at turning out 10m tubes a year and will employ 3,300 by 1999.

Way to cut solar power cost outlined

By Michael Peel

An unpublished report for the European Commission, drawn up by a team led by a British Petroleum scientist, shows the cost of solar-generated electricity would be cut by four-fifths if a large factory was built to make solar modules.

A group of solar industry companies and academics was asked by the Commission to estimate the effect on costs of building a plant which could produce photovoltaic modules capable of generating 500MW of electricity annually.

BP Solar said it had calculated from the report that a 500MW capacity factory could cut the cost of domestic solar electricity in the UK from 64p per kilowatt hour to 13p per kWh. This compared with wholesale electricity costs of about 2.3p per kWh.

"We have still got some way to go here, but in California where you have got twice as much sunshine you would be getting pretty close to being competitive," said John Harford, strategy and planning manager for BP Solar International.

Such a large factory would be viable only if there was a huge expansion of the market for photovoltaic modules. The Japanese and US governments have set targets for domestic solar power use by 2010 totalling 7,600MW a year. However, current demand for modules is only about 100MW a year.

Kyocera, the Japanese high-technology group, aims to increase photovoltaic module capacity at its largest factory to 60MW a year by 2000, while BP Solar International hopes to manufacture 50MW of modules a year by the same date.

John Browne, chief executive of BP, said in May it aimed to increase its sales of solar energy equipment tenfold to \$1bn (£500m) a year in the next decade.

The report's authors said the study "clearly confirmed... that by increasing market size, the price of photovoltaic modules would fall".

Bob Johnson, director of the photovoltaics group at US consultancy Strategic Unlimited, said equipment manufacturers were reluctant to expand their operations rapidly because the Japanese and US schemes were dependent on subsidies which could be axed if the governments decided to cut spending.



Mirror image: Nick Reilly, chief executive of carmaker Vauxhall, will crackdown on poor quality training courses

Vauxhall chief to head training standards body

By David Wighton, Political Correspondent

Nick Reilly, chief executive of the Vauxhall offshoot of General Motors, is to head a UK government drive to improve standards among the private companies that provide £1.4bn a year of publicly funded training.

The government will this week announce Mr Reilly's appointment as chairman of a new training standards council charged with cracking down on poor quality courses.

The council, which will have more than 400 part-time inspectors, will supervise the work of the 79 Training and Enterprise Councils through which the courses are funded.

The government recently launched a review of the whole system of the employer-led councils following criticism about the standard of training and allegations of financial mismanagement.

Mr David Blunkett, the education secretary, has been determined to crack down on the poor performers

because of the key role that Tecs will play in the government's flagship £3.5bn (£5.7bn) welfare-to-work programme.

The latest in a string of industrialists drafted in by the government, Mr Reilly is expected to work closely with Sir Peter Davis, chief executive of Prudential Corporation, who heads the government's welfare-to-work taskforce.

Mr Reilly has made clear that quality training will be essential to persuade private sector employers to take on unemployed people under the scheme.

The welfare-to-work taskforce also includes Ian McAllister, chairman of Mr Reilly's biggest rival Ford UK. The training standards council, which will have an annual budget of £2m, will have responsibility for supervising all publicly-funded training qualifications such as Modern Apprenticeships and National Vocational Qualifications.

The new body, which will include other representa-

tives from industry and trade unionists, will work alongside the Tec National Council but will report directly to the secretary of state.

Mr Reilly, whose first job will be to appoint a chief inspector, will be paid £4,000 a year for the part-time post.

Senior Labour figures have expressed a number of concerns about the current system of Tecs, which are highly autonomous and widely seen as lacking co-ordination and accountability.

The government is to encourage employers to shop crooked rivals in an attempt to cut the £3bn cost of social security fraud.

A hotline is to be set up sooo to target employers who evade paying their staff's National Insurance contributions.

The move follows the success of the "shop-a-cheat" scheme set up by the previous government to gather information on benefit fraud.

The service, which has received more than 200,000 calls, has been enthusiastically adopted by the Labour administration.

Virgin Group seeks bids for tilting trains

By Charles Batchelor, Transport Correspondent

Richard Branson's Virgin Group will this week invite bids for 40 tilting trains for services on the main west coast rail line between London and Scotland. The order, one of the largest for railway equipment in the UK, is expected to cost between £500m (£815m) and £600m, and the trains are likely to be assembled in the UK although they will depend on technology developed elsewhere.

British Rail, the former national state network,

developed tilting technology in its Advanced Passenger Train in the 1970s, but technical difficulties led it to drop out of this field. Manufacturers in other countries have continued to carry out work in this area, with Italy's Fiat becoming the world's main supplier.

The final decision on assembly of the Virgin trains will lie with the manufacturer, but the tenders to be sent out on Friday to the 10 pre-qualified bidders will require the winning company to design, build and maintain the trains for the rest of the 15-year franchise.

The requirement to maintain the trains means the supplier would probably assemble them in the UK to have access to the skills and tooling needed to carry out repairs. Also, the tilting mechanism, which has been developed for trains in mainland Europe and north America, will have to be modified to fit the smaller UK tracks.

A decision to assemble in the UK would provide a further boost to the UK rolling stock industry which is still recovering from a gap in orders while BR was privatised. Six train orders worth

a total of £326m have been placed in the past 12 months.

The four leading contenders to win the contract to build the trains all have tilting experience. They are Adtranz, a joint venture of ABB and Daimler-Benz with a UK base in Derby; Bombardier of Canada with a plant in Wakefield, northern England; a consortium of Fiat and GEC Alsthom, which makes trains in Birmingham; and Siemens, which has maintenance depots at Wolverton in the English Midlands and Springburn in central Scotland. Siemens said its depots

could be expanded to carry out assembly.

Other manufacturers to pre-qualify include General Electric and General Motors of the US and Kawasaki Heavy Industries of Japan.

Virgin expects to place an order before the end of this year - possibly with more than one manufacturer - for deliveries to start in 2001. It is expected to require manufacturers to put in bids to supply both a completely fitted out train and a bare carriage shell which would allow Virgin to place a separate order for interiors.

Engineering 'broker' enters electronic age

By Peter Marsh

An "introduction agency" for the engineering sector, which fixes supply deals for up to 20,000 customers, is planning a large increase in business by taking advantage of electronic mail and the internet.

Sub-Contract UK, part of an international information group owned by Sture Wigart, a Swedish entrepreneur, sends details of engineering parts that big organisations want made to 1,000 companies, which each pay an annual membership fee.

The companies - mostly small businesses but including the subcontracting arms of GKN, Rolls-Royce and Texas Instruments - then ten-

der for the jobs they are interested in. In this way, Sub-Contract acts as a "broker" for about 300 engineering projects a week, with a total annual value of £20m (£32.6m). The company plans to increase turnover to £25m by the end of the century, partly by accessing details about more projects and increasing its membership to 2,500.

The company's strategy is to tap into the UK manufacturing sector's growing interest in outsourcing. The manufacturing sector is increasingly getting its components made by outside bodies. Outsourcing enables companies to react more quickly to changes in their markets.

There is an increasing require-

ment for new ways to speed information in outsourcing agreements between the different parties that, in many cases, may be hundreds of miles apart.

The Wigart group has similar operations arranging supply deals in the engineering and construction sectors in Sweden, Finland, the US and Australia.

It has total annual sales of about £70m. The group started its UK operation six years ago, building sales up to £2.5m a year and employing 50 staff.

At present the company sends out most details of supply projects to members by post. Over the next few months it plans to speed up the

information flow by switching to fax and electronic mail, with increasing use of the internet.

In these cases, companies can log details of their supply requirements electronically and potential vendors can send in their bids or request more information using the same technique.

According to Hans Wigart, son of Sture Wigart and managing director of Sub-Contract, just 1 per cent of the deals his company facilitates are accomplished using the internet. He expects this to climb to 10 per cent by 2000 - with growth held back by the preference of many engineering companies to work with paper rather than electronic media.

UK NEWS DIGEST

World Service seeks advert cash

The BBC has approached Saatchi & Saatchi, the advertising agency, about ways of assessing methods of claiming a share of the revenue from advertisements sold around BBC World Service programmes broadcast by commercial radio stations outside Britain. Nearly a fifth of the World Service's weekly audience listens to its programmes on local FM radio stations, rather than on the BBC's short-wave service. Some of these stations are commercial concerns which raise revenue by selling advertising airtime at the beginning and end of each World Service programme. The BBC stressed that it would not sell advertising on its own World Service broadcasts. At present the BBC allows many broadcasters to relay its World Service programmes free, charging a nominal fee to others.

Alice Rawsthorn, in London

MONTERRAT

Government attacked on crisis

Alastair Goodlad, the opposition Conservative party's chief spokesman on international development, yesterday attacked the British government's handling of the crisis in Caribbean island colony of Montserrat, where a volcano has made two-thirds of the land uninhabitable. "At a time when the islanders desperately need help all the Labour government can do is be rude about them... Clare Short [chief international development minister] and her deputy George Foulkes are at odds," he said.

Few Montserratians appear eager to accept the UK's aid package and leave the island, Camille James writes in Kingslin. Although several hundred have registered to be evacuated, less than 30 had left by yesterday morning.

"Many who are thinking of leaving are waiting for an improvement in the offer from the British government," a Montserratian government official said yesterday. "They hope the new chief minister will get them more money, and they are holding on for this."

SCOTLAND

Minister hits back on devolution

Donald Dewar, chief minister for Scotland, yesterday rejected a warning last week from Sir Bruce Patullo, governor of the Bank of Scotland, that devolution could cost the average wage-earner more than £300 a year. "What we are doing is giving [the Scottish parliament] very limited tax varying powers," Mr Dewar said on BBC radio. "It's a matter for a grown-up parliament with grown-up responsibilities to decide how it will use these powers."

"What Sir Bruce is doing is assuming, as the Conservatives tend to do, that that power will be used to the maximum as a matter of routine, almost, and therefore they produce some fearsome figures. It's not justified."

Sean Connery, the actor, said yesterday he fully supported the government's devolution programme for Scotland. He said before attending a screening of one of his films at the Edinburgh Festival that devolution should be supported at next month's referendum because it was "the next step from independence".

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POLITICAL FUNDING

Donations setback for Tories

The finances of the opposition Conservative party are set to receive a further blow from the decision by Dixons, the electrical retailer headed by Sir Stanley Kalms, to scrap its annual donation.

The company, which gave £25,000 (£40,750) to the party last year, is dropping the payment in line with the trend away from corporate political donations and towards personal support.

Sir Stanley, who has been one of the Tories' most prominent business champions, is expected to continue to make personal donations, although he is understood to be disheartened by the party's crushing election defeat on May 1 after 18 years in power.

In recent years, several big companies have ceased to make donations including United Biscuits, Wimpey and Rolls-Royce. Some have been responding to the concerns of institutional shareholders about corporate political donations, others have been put off by the party's increasingly Eurosceptic tone.

David Wighton, in London

MUSIC

Record-breaking Oasis album

Oasis's *Be Here Now* has gone straight to the top of the UK album chart and becomes the fastest-selling album ever in the country by selling an unprecedented 695,761 copies in its first three days on sale. It also went to the top of the charts in several other European countries including the Republic of Ireland and Finland. The album has also broken records in Japan. Sony Music, the subsidiary of the Japanese electronics group which owns 49 per cent of Creation and distributes Oasis' music outside the UK, shipped 250,000 copies to Japan before Thursday, an unprecedented number for an imported release. The three-day tally for *Be Here Now* in the UK is well ahead of the 350,000 sales achieved by the previous UK record-holder, Michael Jackson's *Bad*, during its first week of release in September 1987.

Alice Rawsthorn, in London

CONFIRMS IMPROVEMENT IN PERFORMANCE

12 percent and sales domestic (+18%) and (+12%) recorded significant 3.8 billion, Mannesmann expenditure by far amount spent during the first

half of 1997. The number of employees at the end of June 1997 was up 5 percent, at around 126,400.

The operating results for the first half of 1997 confirm M

April this year regarding an expected further improvement in result of ordinary activities for 1997. For the remainder of 1997, Mannesmann still expects a perceptible increase in earnings for the Engineering sector and continued growth for the Automotive sector.

On request we shall be happy to send you our Shareholders' Newsletter with the interim report for the first half of 1997.

	Jan-Jun 1997	
Revenue	DMm 20,541	72
Operating result	DMm 17,741	14
Profit	DMm 8,973	18
Net result	DMm 9,773	12
Share price (30.06.)	126.5	5
Dividend	DMm 3.00	258
Ordinary	DMm 3.00	93
Special	DMm 0.00	98
Net result	DMm 3.00	98 54

For the Telecommunications and Tubes Trading sectors, Mannesmann would make up its statement of April. The higher earnings recorded at Mannesmann D2 will be the showing of Telecommunications last year's benchmark figure. Similar favourable effect of the turnaround Tubes & Trading will exceed all previous expectations.

Mannesmann is confident that the market trend will continue through the second half of 1997.

Mannesmann AG
Telecommunications
Tubes & Trading
Shareholders' Newsletter
Interim report for the first half of 1997

THIS WEEK

Karel Van Miert, the European Union's competition commissioner and a former amateur boxer, has already delivered a bloody nose to Boeing, the US aircraft manufacturer. If it does not watch out, British Airways could soon suffer a similar fate.

In recent battles to win regulatory approval for corporate alliances, both BA and Boeing displayed a tactical ineptness striking for enterprises of their size and experience.

The failings demonstrate a reality which is only just beginning to dawn on many large companies - that it takes more than a good lawyer to clear the hurdles of the EU regulatory process.

Boeing's naivety was exposed during a tussle to win approval for its merger with McDonnell Douglas. The Commission eventually gave the deal a green light, but only after it had extracted substantial concessions, and tensions surrounding the merger

Lessons in dealing with Brussels

DATELINE

Brussels: it takes more than a good lawyer to clear the hurdles of the European Union regulatory process, writes Emma Tucker

market for civil aircraft. It was only when Brussels was on the verge of blocking the merger that Boeing put its most experienced lobbyists on the case.

"Companies make the mistake

of asking their lawyers to advise them on tactics," says one EU diplomat. "But many lawyers find it hard to break away from the reading of the law."

For BA - seeking approval for its alliance with American Airlines - the procedure is not yet over, but the signs from Brussels are ominous.

For a company with such a good reputation for lobbying in London, things got off to a surprisingly bad start. While keeping the Commission informed of its plans, BA declared that the UK's Office of Fair Trading, and not Brussels, was the appropriate authority to vet the deal.

This position smacked of arrogance, and led one EU diplomat to describe BA as "the only British company that behaves in Brussels as if it is still state

owned". It also got under the skin of Mr Van Miert who insisted that Brussels had a joint role in assessing the alliance's impact on competition.

To reinforce its case, BA summoned support from the UK's then Conservative government - an administration with few friends in Brussels.

A flurry of letters between Mr Van Miert and London ensued, culminating in a threat from the competition commissioner to take BA to court if its verdict on the alliance was ignored.

"It was," says one industry expert, "a text-book example of how not to lobby in Brussels."

There are signs that BA is making amends. It has opened a permanent one-man office in Brussels, and at the height of BA's recent industrial dispute in

Britain, Robert Ayling, the chief executive, visited Mr Van Miert.

It may, however, be too late. A preliminary list of concessions demanded by Brussels would so emasculate the proposed BA-AA alliance, that it would hardly be worth pursuing.

The irony is that BA has allies inside the Commission who are sympathetic to its complaint that Mr Van Miert, under pressure from less competitive rival European airlines, is unfairly penalising the British company.

BA's clumsiness stands in sharp contrast to the deft approach of another British corporate giant, British Telecommunications. Long established in Brussels, BT was ready for the EU legislation affecting the telecoms industry that began pouring out of the Commission a few

years ago. It penetrated the Brussels machine so skillfully that some officials even credited it with effectively writing some of the laws. "BT is the quintessential, sophisticated client," says one lawyer.

Its merger with MCI, a less controversial deal than the BA-AA alliance, sailed through the regulatory process last year.

BT, which is seeking clearance for an interactive television joint venture with BSkyB, Midland Bank and Matsushita, is again displaying its smooth approach.

Last month it convened a seminar for 20 Commission officials to explain the nature of the deal and demonstrate the benefits it will yield for users.

"Of course we are talking about a legal process," said a BT executive. "But we wanted to show the Commission what we were doing, and to put the joint venture in context."

The likes of Boeing and BA might take note.

The Monday Profile: Giorgio Armani

Master of the cool classic

Whenever a fashion designer stages a show, the investment community air concern about what will happen to their business once they become, well, less fashionable.

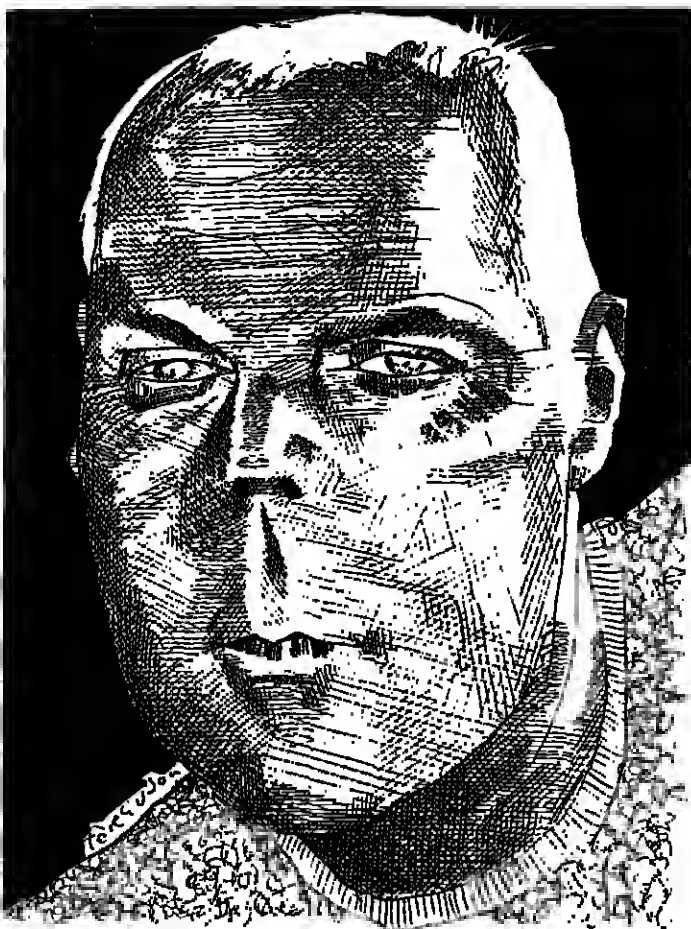
Such a complaint could hardly be applied to Giorgio Armani, who last week joined the list of designers who are reputedly considering going public, by unveiling proposals to restructure his business interests.

Mr Armani, 63, alias "King Giorgio - Master of Milan", as *Women's Wear Daily*, the US trade magazine, once dubbed him, has been one of the fashion industry's most influential figures for two decades. In spite of his stature, he is a curious figure to those who, because, arguably, his greatest achievement is to be the least fashionable of fashion designers.

Fashion is an industry that thrives on change. No one needs to buy a new wardrobe of clothes each autumn, but they can be coaxed into doing so if convinced that they should be wearing something different from the clothes they wore a year ago.

Yves Saint Laurent, the French designer, mastered the sartorial art of consumer manipulation in his heyday in the late 1960s by sending a dramatically different set of clothes on to the catwalk every six months, with skirts barely skimming the models' thighs one season and swirling around their ankles the next. A similar ritual is still perpetuated by the more hip designers of today, such as Tom Ford of Gucci and Miuccia Prada of Prada.

Yet Mr Armani has eschewed change by adhering to the same contemporary classic style throughout his career. Having harnessed Milan's traditional tailoring skills to create a softer, more modern version of a conventional suit in the mid-1970s, he has refined that form ever since. Even his choice of colours is conservative. He is, after all,



best known for a blend of grey and beige, described as "greige".

To his detractors, Mr Armani's designs can be downright dull, but his devotees see them as reassuringly discreet. There are only so many over-the-top suits that a business person can wear, but Armani has become the unofficial uniform of bankers and advertising executives from Marunouchi to Manhattan. Even his celebrity clients have a cerebral air. His rival, the late Gianni Versace, was renowned for the flamboyant, flagrantly sexy clothes he designed for pop star

Elton John, boxer Mike Tyson and actress Elizabeth Hurley; but any Armani garment landing on the pages of *Hello!* magazine or the *National Enquirer* is more likely to belong to award-winning actress Jodie Foster, rock star Eric Clapton or film director Martin Scorsese.

Mr Armani's character is as self-effacing as his clothes. Born in the northern Italian town of Piacenza, the son of a transport company manager, he dropped out of medical school and worked as a buyer for La Rinascente, the Milan department store, before becoming a designer. In 1975, he

co-founded his fashion house with close friend, Sergio Galeotti, who died in 1984, leaving Mr Armani with sole control of the company. His working days usually run from 8am to 5pm, and he even sketches design ideas during weekend retreats to his country palazzi in the mountains or along the coast.

Quiet and self-contained, Mr Armani has a rather forlorn air that overlays a steely determination. He admits to having shouted at his staff on occasion, and is not above criticising rival designers, particularly Gianni Versace, with whom he was wrangled for years, although he did issue a dignified statement after the latter's murder, and attended the memorial service.

Since Mr Galeotti's death, he has overseen the company's finances and built a labyrinth of brands, each aimed at a different niche of the market. The business has grown to command sales of L1,870bn (\$1.05bn) last year. The restructuring is intended to streamline its interests, possibly as a precursor to selling a stake to a larger group, or to going public, as Gianni Versace planned to do before his death.

Money is an improbable motivation for the immensely wealthy Mr Armani, who is doubtless more concerned with the question that seems to preoccupy most designers above *un certain oge* of whether their brand names will survive them.

The subtlety and stability of his design style may be Mr Armani's greatest asset in wooing prospective investors, but might militate against his hopes of longevity. The fashion brands that survive the loss of their founders tend to have easily identifiable characteristics, such as the hour-glass silhouette of Christian Dior's 'New Look', or Coco Chanel's tweedy suits, rather than the gentler merits of a "greige" palette.

Alice Rawsthorn

FT GUIDE TO:

ASIAN CURRENCIES

What's all this fuss about Asian currencies, and why does it matter?

Asian governments are reaping a bitter harvest sown in a property lending spree during the boom years of 1994 and 1995. With a large oversupply of property coming on to the market, banks look strained just as regional growth has decelerated in the wake of last year's export slowdown. Vast new manufacturing capacity coming on stream in China has also raised doubts about south-east Asia's competitiveness in world markets.

This has put their currencies under pressure, with Thailand being the worst hit. Like several other Asian currencies, it had sought to maintain an artificial peg against the dollar which limited its room for manoeuvre in domestic monetary policy.

Asian countries had hoped to cut interest rates after freeing their currencies. Instead, rates have risen, stifling growth prospects in one of the most dynamic regions of the world.

Average growth forecasts for Thailand this year are now 1.9 per cent, almost unheard of for an Asian tiger.

How is the problem likely to be resolved?

Many economists believe the crisis will end only when exchange rates have fallen so far that the only way left is up. Not till then can interest rates be cut.

Why does the crisis seem to be lasting so long, with more and more currencies getting sucked in?

Thailand's crisis stirred echoes of similar problems elsewhere in Asia. Also, the dollar has been strong against the currencies of leading international economies. Many Asian countries needed some depreciation to restore their competitiveness against the yen. The continuing weakness of Japan's economy is cramping Asia's exports to Japan. Starved of demand at home, Japanese companies are meanwhile competing more fiercely on world markets.

Could there be another more pernicious reason? Yes, there is a whiff of competitive devaluation in the air. Even Singapore, a country with strong reserves and a large current account payments surplus, has seen its currency fall. A particular worry is that governments that try to hold the line on the exchange rate may cease to attract much-needed foreign direct investment.

Who is behind all this speculation?

Mahathir Mohamad, Malaysia's prime minister, tried to pin the blame on George Soros, the US financier. Mr Soros denied any involvement, but international currency funds have been trading Asian currencies more actively over the past few years as a market built up in Singapore. The biggest culprit may well be citizens of the worst affected countries.

Why has the \$16.7bn (\$10.2bn) rescue package agreed for Thailand with the International Monetary Fund, Japan and other Asian governments failed to calm the markets?

The amount is not large considering Thailand's pressing financial problems. The Bank of Thailand has admitted to having \$14.8bn in offshore forward contracts due over the next year. This is on top of the country's foreign debt of \$90bn. The Thai authorities also face a big bill for their earlier attempt to bail out ailing finance companies.

Much now depends on whether Japanese banks agree to roll over their existing loans to Thai companies.

Will other Asian countries also need IMF help?

At present that looks unlikely. Malaysian companies have large debts, but the situation is not as acute as in Thailand.

Is there another country to watch?

South Korea, which has suffered a spate of bank ruptures. Local banks' reluctance to rescue the troubled Kim brothers could intensify troubles at heavily indebted companies and banks. This could stall an incipient economic recovery which will require careful management by the authorities. But again, the troubles are not on Thailand's scale.

Will the Hong Kong dollar be dislodged from its peg?

Almost certainly not. Hong Kong runs an even more formal peg than Thailand, but it has a budget surplus and ample foreign exchange reserves. Its economy and financial sector are robust.

China has made it very clear that it wants the Hong Kong currency to stay pegged to the US dollar. To abandon that policy would involve an enormous loss of face for Beijing, with serious consequences for its claim of competence in preserving Hong Kong's prosperity.

Is the Asian miracle over?

No. Most economists expect Asia's growth rates to pick up again after a couple of years, but the crisis has shown structural flaws in the region's economies. Bank supervision needs to be improved and the financial sector made more efficient so it can direct savings to the most productive sectors of the economy.

What can Asian countries do?

Asian countries need to raise their skill levels so they can move more easily up the manufacturing chain. As their economies mature they also need to look for more domestic growth instead of relying too heavily on exports.

Peter Montagnon

FOREIGN & COLONIAL PORTFOLIOS FUND

Société d'Investissement à Capital Variable
Registered Office: 47, Boulevard Royal, Luxembourg
R.C. Luxembourg: B 25.570

NOTICE

is hereby given to the holders of shares in Foreign & Colonial Portfolios Fund (the "Company") that:

1. An extraordinary general meeting of shareholders of the Company will be held in Luxembourg, 47, Boulevard Royal, on 3rd September 1997 at 10.00 a.m., with the following agenda:

a. to decide the amendment of articles 5, 22 and 23 of the articles of incorporation of the Company with the main purpose to provide for the procedure for amalgamating a class of shares into another class upon the decision of the shareholders of the classes concerned.

The entire text of the proposed amendments is available, upon request, at the offices of State Street Bank Luxembourg S.A., 47, Boulevard Royal, Luxembourg.

In order to deliberate validly on the item of the agenda, at least 50% of the shares issued must be present or represented at the meeting, and a decision in favour of the item of the agenda shall be approved by shareholders holding at least 2/3 of the shares present or represented at the meeting.

2. The extraordinary general meeting of shareholders described hereabove will be followed by class meetings (hereafter the "Amalgamation Class Meetings") of holders of shares in:

Foreign & Colonial Portfolios Fund - European Smaller Companies Portfolio (the "European Portfolio");

Foreign & Colonial Portfolios Fund - Japanese Smaller Companies Portfolio (the "Japanese Portfolio");

Foreign & Colonial Portfolios Fund - Emerging Asian Equity Portfolio (the "Asian Portfolio");

Foreign & Colonial Portfolios Fund - Sterling Distribution Portfolio (the "Sterling Portfolio").

The agenda of the Amalgamation Class Meetings will be as follows:

1. for Shareholders of the European Portfolio and Sterling Portfolio to decide the amalgamation of the European Portfolio with the Sterling Portfolio;

2. for Shareholders of the Japanese Portfolio and Asian Portfolio to decide the amalgamation of the Japanese Portfolio with the Asian Portfolio.

A notice describing the terms and conditions of the amalgamations referred to in the agenda hereabove may be obtained at the offices of State Street Bank Luxembourg S.A.

No quorum is required for an Amalgamation Class Meeting to deliberate validly on the item of the agenda, and a decision in favour of the item of the agenda shall be approved by simple majority vote of the shares present or represented at the meeting. The amalgamation of the European Portfolio with the Sterling Portfolio will become effective (if so decided) on 15th October 1997 and the amalgamation of the Japanese Portfolio with the Asian Portfolio will become effective (if so decided) on 22nd October 1997. Shareholders of the European Portfolio and the Japanese Portfolio are reminded that they may redeem or convert their shares, free of any charge before the amalgamation becomes effective.

In order to facilitate the amalgamation, the Company will, if the amalgamation is approved, suspend dealings in the Japanese Portfolio and the Asian Portfolio from 3.00 p.m. (UK time) on 17th October 1997. For the same reasons, dealings will also be suspended in the European Portfolio and Sterling Portfolio from 3.00 p.m. (UK time) on 19th October 1997.

Dealings in the Sterling Portfolio will recommence on 19th October 1997 and any application received before 3.00 p.m. (UK time) on 19th October 1997 will be dealt with at the net asset value calculated on 17th October 1997. Dealings in the Asian Portfolio will recommence on 22nd October 1997 and any application received before 3.00 p.m. (UK time) on 22nd October 1997 will be dealt with at the net asset value calculated on 20th October 1997.

3. If the resolution concerning the amalgamation of the European Portfolio with the Sterling Portfolio and the Japanese Portfolio with the Asian Portfolio is not passed, the Amalgamation Class Meetings described hereabove will be followed by additional class meetings (hereafter the "Liquidation Class Meetings") of holders of shares in the European Portfolio and the Japanese Portfolio.

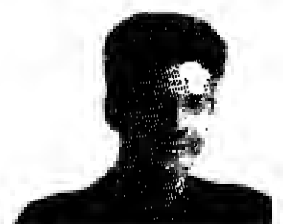
The agenda for the Liquidation Class Meeting will be as follows:

1. for Shareholders of the European Portfolio, to approve the liquidation of the European Portfolio;

2. for Shareholders of the Japanese Portfolio, to approve the liquidation of the Japanese Portfolio.

A Liquidation Class Meeting can only deliberate validly on the item of the agenda, if at least 50% of the shares issued are present or represented at the meeting, and a decision in favour of the item of the agenda shall be approved by shareholders holding at least 2/3 of the shares present or represented at the meeting. Holders of bearer shares who wish to attend the extraordinary general meeting of shareholders and/or any of the different class meetings should deposit their share certificates with State Street Bank Luxembourg S.A., at least 48 hours prior to the meeting.

On behalf of the Board of Directors



Robert Chote - Economics Notebook

Logic of charging tuition fees

UK students get a high return on their investment in a university education. Making them pay for it is essentially an egalitarian reform

incurred and benefits received by individual graduates. It is possible to calculate the return they make on their investment in higher education.

The cost is the post-tax earnings they forego during study, partly offset by maintenance grants and student loans. The benefit is the earnings premium - net of tax, national insurance contributions and repayments under the existing student loan scheme.

According to researchers at the Department for Education and Employment, the average rate of return is an attractive 11-14 per cent, depending on the proportion of the graduate premium which is explained by skills acquired at university.

The return is as high as it is because tuition is free and the taxpayer subsidises the student's living costs.

The "social" rate of return - which also includes the costs and benefits borne by taxpayers - is only about 7-9 per cent. The cost in this case comprises direct teaching costs and the output of goods and services foregone during the student's period of study. The benefit is the extra output of goods and services that a graduate produces relative to a non-graduate.

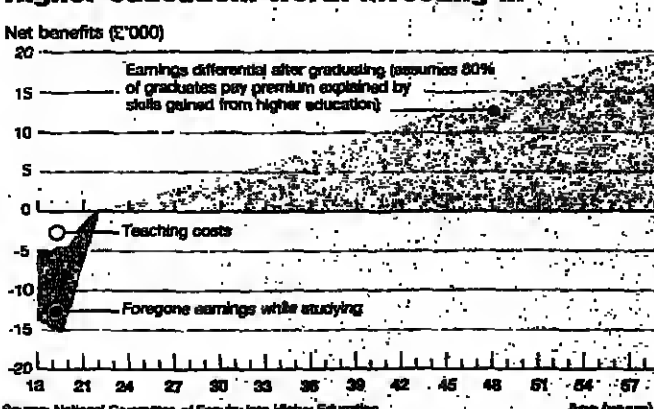
Social rates of return vary widely by subject, as the choice of degree affects the earnings premium and cost of tuition.

Social science degrees give returns of about 11 per cent, as they are cheap to teach but yield large earnings premiums.

Science and engineering degrees are expensive but quite remunerative, giving rates of return of about 5 per cent.

Arts degrees are cheap, but

Higher education: worth investing in



Source: National Committee of Enquiry into Higher Education.

arts graduates are relatively badly paid, so they offer negligible rates of return.

These rates of return are based on the earnings premiums enjoyed by past generations of students. These may change because of shifts in the demand for and supply of graduates. The Institute of Employment Research forecasts a 50 per cent rise in the supply of graduates between 1991 and 2001, with the demand for graduates rising by 40 per cent.

The excess of supply over demand is likely to increase in the following decade, but unless this pushes the earnings premium down by more than a third, the social rate of return should remain above the 6 per cent the Treasury demands from public investment projects.

These rates of return are delivered because of the way human capital is rewarded in the labour market.

But they may be understated if higher education delivers bene-

fits that are not reflected in graduates' earnings - for example, by boosting the productivity of those people with whom the highly educated work.

Norman Gemmell, professor of economics at the University of Nottingham, investigated this for the Dearing Committee, but found little evidence that higher education delivers important spillover benefits to the economy beyond those which are captured by the labour market.

There are also non-economic externalities, which by their nature, are difficult to quantify. The private rate of return might be increased because students enjoy the experience of being at college, while the social rate of return will be increased if the presence of graduates somehow enriches non-graduates' intellectual and cultural lives.

Taking externalities into account does not alter the basic conclusion: it is sensible to reduce the artificially-inflated private rate of return that gradu-

ates enjoy by spreading any subsidy across a wider number of students.

This is egalitarian because although graduates may be relatively poor while they are at college, they tend not to be during their working lives.

This is the logic behind charging tuition fees and leaving students to pay their own living expenses during their years at college. But state intervention remains necessary, because while students may wish to invest in their human capital, most cannot borrow to finance that investment because they have no security.

State subsidy is also justified on the grounds that the dispersion of private rates of return around the average is relatively wide. There would be under-investment in a pure market system because many potential students would be nervous of acquiring such a large debt, especially if they came from relatively poor backgrounds. Hence the attraction of an income contingent loan system, in which the size of the loan repayment due at a given time depends on the graduate's earnings.

The government has accepted the principle of income contingent loans, which is a step forward for equality and efficiency. But to begin with, even students from well-off backgrounds will have to finance only a small portion of what it costs to teach them.

Old Labour and the middle classes are complaining already, but future generations of students may find themselves bearing even more of that burden.

e-mail: robert.chote@ft.com

MARKETING

How pride can lead to consumer prejudice

J. Sainsbury supermarket group is in danger of being seen as arrogant, reports Alison Smith

Customers of J. Sainsbury have a few days left to vote for the product they would like the UK supermarket chain to stock. The 'More Choice Because It's Your Choice' initiative began with the launch of a £1.5m (£2.4m) advertising campaign by Abbott Mead Vickers this month, and the most popular items are due to be in stores in October.

Putting such emphasis on asking customers what they want is part of a change of tone for Sainsbury's. David McNair, the supermarket's brand director, says: "Lat-

terly there has been a need to understand clearly the difference between being authoritarian, which is negative, and being authoritative, which is positive."

The shift in approach coincides with analysis by advertising agency FCB - which Sainsbury was unaware of - that identifies Sainsbury's as a brand in danger of appearing arrogant. "The most common complaint we heard about Sainsbury's was forcing its own-label products down customers' throats, making them feel their choice was being taken away," says Mark Hartstone,

a director of FCB UK. FCB devised the "brand arrogance/mirror marketing" model from its "mind and mood" programme. The model uses consumers' comments to assess brands on their perceived benefits. "As brands evolve personalities, people respond in the same way they would if confronted with human behaviour," Mr Hartstone says.

Types of brand or sector identified include the inspirational trend-setter (such as Nike or Levi's), the powerful, proud but incompetent (the UK's pre-election Conservative party); the sycophants

who seek to "buy friendship" by competing primarily on price (Gaggle, four companies); and those who are trusted friends (Heinz and Kellogg's). Mr Hartstone says arrogant brands may be successful, but not as successful as they could be.

According to FCB, arrogant brands make the consumer feel exploited by failing to listen, being patronising and insulting their intelligence by oversteering what they can do.

Consumer comments have produced some surprising names on FCB's "arrogance danger list". They include

Halifax, the building society, which came under fire from the charity Mencap for the way it distributed free shares when it converted to a bank; Foster's lager, which was seen as trying to force a catch-phrase on its customers; and Mars which was criticised for running special edition products that were not available in spite of customer demand.

Mr Hartstone is doubtful that Sainsbury's campaign will enable it to shed its perceived arrogance. But Mr McNair insists that the return to core values of quality and choice, represented

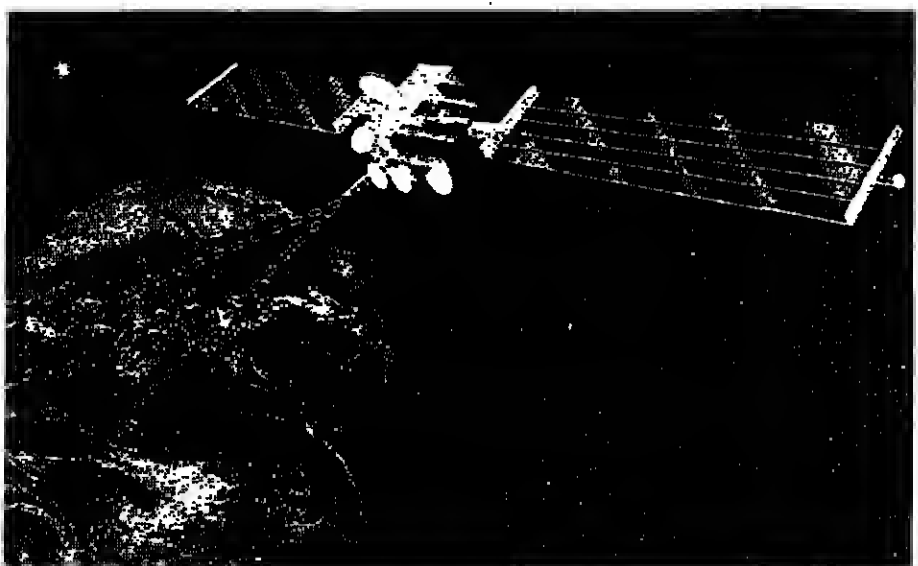
by the initiative, will be one of the ways Sainsbury strengthens the loyalty of shoppers and encourages potential customers.

The promotion will be doing well if it comes anywhere near achieving what the company claims. But there is one sign that the store is moving away from the perceived (and disliked) predominance of its own-label products. If enough shoppers vote for Sainsbury's to sell an own-label product from a rival supermarket chain, such as Tesco, the store will look at improving its own equivalent.

TELEVISION

A taste for pay television

Mark Ashurst on M.I. Hodings, Africa's broadcasting pioneer



MIH subscriber management system. In spite of technical problems short-term prospects for the group depend on these new markets.

MIH has yet to turn a profit from its African operations. But per capita profits from Namibia and Zambia compare favourably with those of South Africa, where profit margins are among the highest of any pay television operator in the world. These revenues have funded the launch of new ventures.

Viewers' appetite for imported programmes was unexpected, says Mr Tennant. More than 80 per cent are indigenous Africans who are attracted to foreign programming in part because of the poor quality of local television, and a dearth of established private sector competition.

As the deregulation of South African airwaves gathers pace, MIH is looking to new markets to ameliorate the impact of competition on its home turf.

Next to the political revolution at home, the key to these markets has been through joint ventures with state-owned broadcasters

and a commitment to pioneering digital technology. In the sub-Saharan, where MIH expects to sign more than 5,000 subscribers, only Zimbabwe has denied access to the group pending deregulation of the monopoly of terrestrial television. Elsewhere, each of the group's terrestrial broadcasters in Africa has been launched as a joint venture with a local partner.

After deals with private sector partners in Namibia, Botswana, Ghana and Nigeria, M-Net demerged its subscriber management and technical operations in 1994. M-Net buys and produces television programming; MIH, which trades under the brand-name Multichoice, runs the channels and the subscription business.

The group has proved an effective vehicle for striking deals with state broadcast-

ers. The first such partnership was signed with the Egyptian national broadcaster in 1994. Its 10,000 subscribers form the hub of a Middle East operation, while MIH Africa has repeated the formula with state-owned broadcasters in Uganda, Kenya and Zambia.

All involve the terrestrial broadcast of channels transmitted by satellite from

South Africa, and then rebroadcast locally in a scrambled format using analogue technology. These can be received on a conventional television by a set-top box which decodes the scrambled signal.

Start-up costs, between \$50,000 and \$700,000, depend on the size of the market, and subscriptions cost about \$50 a month. Franchisees rebroadcast MIH programmes in the smaller markets of Togo, Burundi, Gabon, Niger, Mali and St Helena.

The next big leap was in 1996 with the launch of digital satellite television. In one year, the service has signed 32,500 subscribers to 20 video and 23 audio channels. Although the initial cost to subscribers is high, the package compares favourably with television channels available on the analogue services. Mr Tennant expects operations to turn a profit in 18-30 months.

"The economies where we operate are all growing - some at an average of 5 per cent a year. Most have started privatisation, there is foreign investment, mining exploration is going mad, there is a lot of activity in oil and gas, and the political situation is freeing up," he says. "Overall we are close to break-even, and we are very bullish about the prospects for Africa."

John Hegarty - Ad Lib

In praise of the TV commercial

Imagine for a moment you are the marketing and sales director of a large company. Achieving your sales targets is giving you sleepless nights. The company's share price is under pressure, the board is getting nervous, City institutions are questioning the company's investment policy.

How can you generate extra sales quickly and effectively through your consumer base, and expand your potential market? As you toss and turn in bed, feeding a potential ulcer and sweating your way to an early coronary, I appear. I have invented a thing called the "television commercial".

It is a new and unique way of talking to consumers. Between popular programmes, I will sell you slots of time - anything up to 60 seconds. I will even negotiate for you the whole break, so no one else can compete with you.

Within this spot you can say whatever you like in whatever form you like. You control the dialogue, presenting your product or service any way you wish.

This salesman's nirvana will soon wait you back to sleep, ease your ulcer and lower your blood pressure. Of course, the television commercial has been with us since 1955. Since its arrival, it has been one of the most, if not the most, effective creators of brands and wealth. So why is it that you can hardly pick up a marketing magazine without reading about the medium's imminent demise?

Before you rush to the Internet, put your money below the line or search for some trendy alternative media, absorb these facts. The average adult in the UK watches more than 24 hours of TV every week, 60 per cent of children have a TV-set in their bedrooms. One in four adults watch the soap opera *Coronation Street*, even more watch

EastEnders. So why do we read that the likes of Cadbury, the chocolate manufacturer that sponsors *Coronation Street*, think most marketing is nothing but froth and are putting more money into programme sponsorship? Why did we read that Heinz was pulling out of TV advertising (it has since gone back); that more marketing money was going below the line?

Could it be that as the medium has become more competitive some companies have found it harder to create advertising that works? The medium is not a guarantee of success. It has to be used single-mindedly and imaginatively. Perhaps this is the nub of the problem - some companies find this process difficult to manage.

It was said of Michael Dukakis, the 1988 US Presidential candidate who failed to beat George Bush, that he ran a poor TV campaign and a man who could not run a cohesive advertising campaign for the presidency would not be much good at running the country.

Perhaps, as company executives pour scorn on the value of TV to generate sales and wealth for their shareholders, what they are really telling us is they are not very good at their jobs.

The television commercial has been and still is one of the most incredible mediums put at the disposal of companies.

Every marketing, sales and finance director should get down on their knees and say thank you. And the next time someone says forget TV and eulogises about the Internet or alternative media, whatever that might be, remember all those people who watch 24 hours of it a week. Where else are you going to find them?

John Hegarty is chairman and creative director of Bartle Bogle Hegarty.

Web Site of the Week

Award for students with ideas

Britain's Department of Trade and Industry last week launched an award for students aimed at "demonstrating a creative and innovative idea to push forward the boundaries of interactive digital media using the Internet".

The Young ISCA award is part of the DIT's Information Society. Creativity Awards, organised in conjunction with a range of corporate partners including Demon, Yahoo!, The Open University and Sun Microsystems. Details of the competition can be

found at the DIT's award web site, www.isca.co.uk. Students at UK institutions can win a first prize of £3,000 by submitting a demonstration project which can be viewed using a web browser. The winner's college will receive £2,000.

The competition was announced last week at the Interactive Learning Conference in Edinburgh. Nicholas Negroponte, founder of the MIT Media Lab, said: "The digitisation and the convergence of technology and telecommunications provides unique

opportunities for creating, combining and presenting information in radical new ways for a global audience. "Young people are already exhibiting skills and imagination in exploiting these opportunities. Each generation will become more digital than the preceding one. The control of bits of that digital future are more than ever before in the hands of the young."

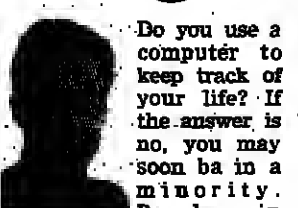
Applicants have from October 1 until May next year to enter. A short-list of 20 projects will be selected and the creators will demonstrate their entries at next year's Interactive Learning Conference, where final judging will take place.

Barbara Roche, DIT minister, said: "These awards will encourage students to provide a showcase for the wealth of talent and creativity among the student body, many of whom will become the next generation of innovators for the information society."

Stephen McGookin

Tim Jackson - On the Web

Organise life with a gadget



Do you use a computer to keep track of your life? If the answer is no, you may soon be in a minority. People in offices are increasingly using software tools that range from modest address book programs to ambitious group project packages to manage their lives. The software allows managers to ask staff to do things, and to chase them almost automatically if they miss deadlines.

Smartest of all are the gadgets that talk directly to a computer - through an infra-red port or by receiving flashes from the computer screen and converting them into meaningful diary data.

The fundamental weakness of many of these systems, known as personal information managers - is portability. You want to carry the life-tracking product with you because its usefulness is curtailed if you have to write the information in a diary and then transfer it.

But there is a certain ostentatious nerdiness attached to the idea of pulling out a gadget whenever someone suggests having a drink next Thursday and pecking away at its miniature keyboard to get the information in.

truly useful portable organiser and that was a Hewlett-Packard notebook computer called an OmniBook. This was a super-light PC with an almost full-size keyboard that ran for 12 hours off a rechargeable battery and could survive on AAs at a pinch. As well as Microsoft Word and Excel, the machine had a personal information manager built into it. It was big enough to type long documents in, but small enough to carry in a pocket. Leaving it in the bedroom at night, I used to rely on the machine to wake itself up and beep me in the morning if there was a breakfast meeting I had forgotten about. Inexplicably, HP no longer makes the machines.

The arguments for using software to keep control of your life are plain to see. Take the address book, for instance. Anyone who has kept names and numbers in a book will know the pain that comes when you fear the book might have been lost. Without a secretary to photocopy the pages each month for archiving, a physical book can be an unreliable storage method for important information.

But software has its downsides, too. My own experience suggests that looking up an address using PC software takes at least twice as long as in a book.

There is also something

sad about the lack of aesthetic pleasure in using a database compared with using a book. I have used a number of packages for phone listings. The latest of them is the Office 97 version of Microsoft Access, which includes a purpose-built contacts database. Some features of the package are terrific: you can press a button marked 'call', dial a number and fill in a short note of what was discussed that will be filed next to the date and time of the call. There are more ambitious functions in the latest version of Microsoft Outlook, but the problem with both packages is they take hours to learn.

The most extreme example of this technology-driven productivity drain is the to-do list. After using electronic to-do lists, I have concluded that lists of jobs that need to be done are better put on the backs of envelopes than in computers. The problem is deciding how much detail to write. Should you break down each project into its component parts, and create 20 or 30 things to do? Or should you keep it general, and leave only one item? Choose the first, and you are likely to get depressed at the mountain of work before you; choose the latter and the package will be of no use.

My inclination is to add too much. The result is

every time I power up one of these software packages, it beeps and fills the screen with windows full of unfinished work marked in red.

This week, however, I started using one package that looks as though it might be useful. It is a desktop tool from a small Boston-based software house called Grasp Information Corporation, which allows you to capture nuggets of information from documents or from the web, and to save them in the form of electronic three-by-five index cards which are collected in a set of hierarchical folders.

The attraction of this approach is that it is more flexible than a rigidly structured contacts book or project outline. The program also does not make you wait while it powers up. Left running on the desktop in Windows 95, it allows you to highlight a phrase or paragraph and drag it to one of the folders that appear near the bottom of the screen.

The package is called KnowItAll, and a beta version that works for a month is available from www.grasp.com. A few days' use has convinced me that it is more promising than any organiser software I have seen before. Whether it becomes a permanent fixture remains to be seen.

tim.jackson@pobox.com

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All of these can be accessed via hyperlink directly from the Financial Times at <http://www.ft.com>

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Scenarios force managers to tackle their assumptions, writes Tony Jackson

Making up stories about the future might seem a curious occupation for grown-up executives. But there was a time, in the 1970s and early 1980s, when scenarios were a familiar part of the planning process. They then fell out of fashion for a while, as did strategic planning overall. Now that strategy is making a comeback, so are scenarios.

In essence, the scenario technique consists of describing a range of possible futures. Let us suppose that the Chinese economy implodes, or that it flourishes; that the internet enriches the telephone companies, or drives them to ruin. What then? The aim is not to make predictions, but to provide a framework into which subsequent events can be fitted. If executives have thought out the possible outcomes, they should be quicker to react when one of them arrives. As Arle de Geus, former head of planning at Shell, puts it, they can remember the future.

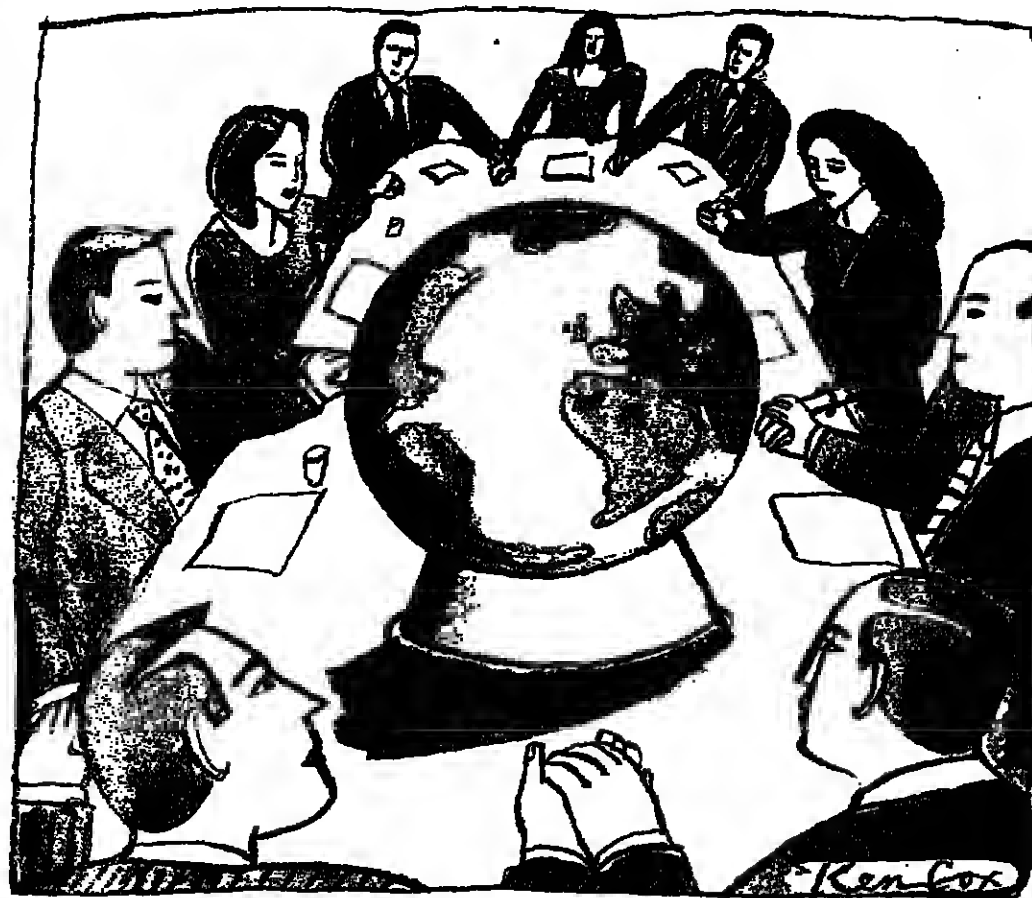
While scenarios have a long history in the armed services, Shell is generally credited with adopting them to business. In response to the first oil shock of 1973, other oil companies latched on. Since the oil industry undertakes vast single investments such as refineries or petrochemical complexes, scenarios appeared as a form of risk analysis. What would happen if the oil price soared or plummeted? What were the odds of a given host government collapsing, or nationalising the industry?

Then came the reaction. In a recent book, *The Living Company*, Mr de Geus describes how in the 1980s, Shell's senior executives became sceptical. Making up stories, they said, was great fun and good public relations. But how many decisions could be attributed directly to the scenario process?

Today, according to Roger Rainbow, Shell's present head of planning, a balance has been struck. The old practice was for the planners to draw up the scenarios and then make presentations to the line managers: as Mr Rainbow puts it, to "show and tell".

Over the last 10 years, he says, there has been more emphasis on getting the managers involved. "The trend has been to get them to bring scenarios into their decision processes," he says. "That's

A glimpse of possible futures



actually quite hard, and we've had a few false starts. But we need to help people make decisions on quite focused issues, down to the level of a specific strategy in a given country, or a specific project."

At the same time, he reports, there is a rising level of interest outside. "We get one or two companies a week calling us up to ask our advice on scenarios. If we were a consultancy, we'd be making a lot of money."

There are a number of consultancies doing just that. Global Business Network, of California, was set up in 1989 by Peter Schwarz, a former head of scenario planning for Shell. Northeast Consulting Resources, of Boston, was founded by a group of consultants from Arthur D Little who had previously done scenario work for IBM.

According to Keith Anderson, Northeast Consulting's senior associate in Europe, the difference in origins is fundamental. Where Shell began with geopolitical change, the computer industry was more concerned with detailed developments in technology.

"What we see now," he says, "is changes in products and factor costs, and in industrial structures and boundaries. These

days, you don't know who your future competitors will be. That's given scenarios a new lease of life."

Mr Rainbow would not disagree. In the old days, he observes, Shell's scenario work consisted almost entirely of large-scale stories about the world. Now, much of it is quick, one-off studies on issues of technology or markets, in response to demand from Shell executives.

As Mr Anderson puts it, the task is not merely to describe possible futures, but to identify the preferred one and work to bring it about. Microsoft, he observes, was dismissive about

the internet at the outset. When it perceived its mistake, it set out not merely to catch up, but to take a lead in determining how the internet developed.

So what practical use do companies make of scenarios? That can be hard to pin down. Executives, after all, are not keen to help their competitors by laying bare their thoughts on the future.

However, some of Northeast Consulting's projects for clients give a flavour. In 1995, the US manufacturer 3M used scenarios to think about the distribution of its office products in Europe. Would very powerful pan-European distributors appear, on the US model? Or would European patterns remain diverse? And how important would electronic commerce become in 3M's markets?

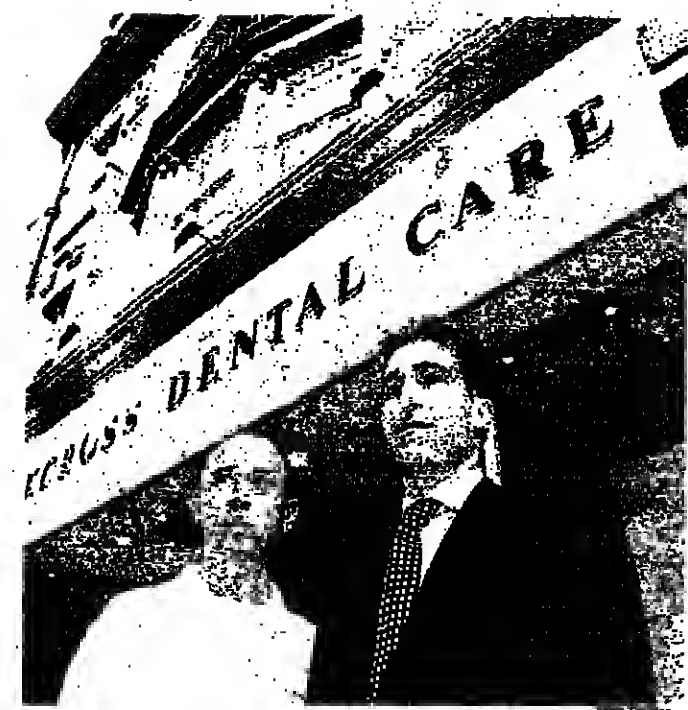
The German electronics group Siemens used scenarios after forming a telecoms alliance early last year. The alliance aimed to develop switches for broadband communications. The scenarios examined the impact of the internet on one big class of customers, the traditional telephone companies.

Sceptics would argue that any sensible company will do this kind of forward thinking anyway. But scenario planning, for its proponents, is above all a process: a means of forcing managers to confront their assumptions.

James Herman, vice-president of Northeast Consulting, says: "Senior executives trust the mental model which got them where they are. But if you're in telecoms, computing or media, the danger is that assumptions from past experience no longer apply. So we use scenarios to update the models."

Also, he argues, managers typically work in teams, and they may sometimes have conflicting assumptions without realising it. By thrashing out scenarios together, they can spot the conflicts and, with luck, resolve them.

A consultant such as Mr Herman, of course, makes his living from scenarios. Mr Rainbow, a career Shell executive rather than a specialist, sounds a note of caution. "Some people are looking for the magic bullet to transform the company," he says. "We never thought scenario planning was that. But it does help you understand a changing world."



Mendlesohn (left) and Pdahtur: dispelling the 'ugh' factor from dentistry

PARTNERS

Whitecross



Paul Mendlesohn, 44, qualified as a dentist in 1976. Thirteen years later, he founded the concept of a high-street dental chain, called Whitecross. In 1990, Avner Pdahtur, 44, became a partner. They have six dental practices in London and a turnover of £3.5m. In May, they became the first dental business to float on the Alternative Investment Market.

Paul: "Within nine months of opening the first practice, I had four dentists working full time, which amazed me. Traditionally it would have taken four to five years to build up a practice because dentists relied on word of mouth. It was only after the rules on advertising changed, in 1987, that the concept became possible."

We're now finding that a lot of our patients have a regular dentist in the suburbs where they live, but have got sick of losing half a day's work every time they need a check up. The whole idea of a high-street chain is dead simple, yet people still find it difficult to grasp. Dentists are no different to opticians. Fifteen years ago, their industry was just as fragmented, now the majority of people go to an optical chain."

It took Avner five years before he could persuade a venture capitalist to invest in us; they either said: 'Interesting idea, can't see it working', or 'If it's that good why has nobody done it before?'

We got endless rejections but neither of us stopped believing in the concept. Avner was brilliant at putting together paper projections which I would have found a nightmare. He leaves me to manage the clinical side so in many ways we're perfectly balanced."

Avner: "When I joined, Paul

had already written a minimalist business plan and opened his first Whitecross in Camden which was quite impressive considering his qualifications were in dentistry, not business."

It took about a year of working part time before I'd created a proper set of accounts, which meant we could then communicate with the banks and borrow more money."

I'm much more sanguine than Paul. He's rather work on gut feelings, whereas I need everything to add up. His key contribution has been the way that the business looks and feels. I fought long and hard not to have fresh flowers in every surgery because they cost money. He kept saying, 'No Avner, you don't understand these things' then went ahead anyway."

Paul is keen to dispel what he calls the 'ugh' factor of dentistry by creating a pleasant environment. We don't want people walking in and thinking they're going to be ripped off, or hurt, which is one of the reasons we have a consultation table in every practice. It means the dentist can explain things properly."

Quite often a patient won't have a clue how much treatment costs. They come in expecting a £20 check up, then discover they need £1,000 worth of work. Tooth decay is not going to disappear over night which means that dentistry is probably one of the safest industries to invest in. Unfortunately, we still have difficulties communicating this to would-be investors."

In America there are seven or eight dental companies trading on Nasdaq so people can make comparisons. Over here, we're still regarded as the only lunatics in town."

Fiona Lafferty

As innovation moves to the top of many corporate agendas, the spotlight is on the management of research and development. How best can companies improve the effectiveness and efficiency of their technology and innovation management?

A study by Arthur D Little, management consultants, of 57 senior European technology managers identified pressures from two main directions. Companies are being asked to respond more quickly to new opportunities and threats. At the same time, they have to improve the return on investment.

Some obstacles crop up again and again. There is too little technological understanding

How to handle R&D

among top management and there is a mismatch between the long-term outlook of some parts of the business and the short-term demands of others. Some technology managers also have difficulty linking their role with the goals of the business.

Companies which had made the greatest strides to overcoming these problems, it found, tried to map out the likely progress of their technologies. They had also appointed a chief technology officer to the top team and brought business and technology

managers together within a formal structure. Such moves are not easy since R&D staff are still perceived to lack market orientation. Possible ways of dealing with this problem include introducing a programme to help R&D staff meet customers and allowing R&D leaders to get business exposure through job rotation.

Another important theme underlined in the ADL study is the impact of globalisation. The benefits can be numerous: it gives companies access to the best brains and ideas from other

areas; it helps companies understand customers in other parts of the world; it helps open doors to business alliances and contracts and it can save costs.

Some industries, such as pharmaceuticals, are relatively experienced at managing global R&D, says ADL. Others, such as the automotive and food industries, are still learning how to share information and projects across boundaries.

The emphasis on globalisation means that restructuring may be here to stay - although ADL notes that many people would

welcome a period of stability and warns that some companies have downsized too much.

A large number of companies have been horrified by the effects of attempts in the early 1990s to tighten up R&D efficiency which led instead to undesirable side-effects such as an overwhelming emphasis on the short term," it says.

Priority Issues in Technology and Innovation Management
Arthur D Little International
Boulevard de la Woluwe 2, B-1150
Brussels, Belgium, tel: (32) 27620731

Vanessa Houlder

Losing the plot with bitter class warfare

I have discovered the ultimate nightmare in training programmes for managers. That is some accolade when you consider the amount of role-playing and scrambling through freestyle bogs that routinely goes on in the name of management improvement.

This programme is in a different league from all those dreadful others. For a full week a small group of managers agree to relinquish every aspect of their ordinary lives and set up their own micro-society in Massachusetts. On arrival at the Cape Cod Conference Centre some are stripped of their belongings and labelled immigrants. Others are chosen to form the elite class - they can drink wine, but are beset by a paranoid need to hold on to their privileges. The rest are designated "middles", and are threatened by the underclass and harassed by the elite.

After a few days of bitter class warfare, this fun game comes to an end and the next few days are spent in analysis of the previous days. The effects are - apparently - devastating. According to an admiring article about the course in the latest issue of *Fast Company*, many of the participants are brought to crisis point. Some others are so disturbed that they leave their jobs within a year of taking the course. But all gain a profound insight into their own motivation and the way in which organisations work.

One can only despair at the lack of common sense among US managers. The fact that anybody pays good money to undergo something so uncomfortable and unnecessary suggests they have lost the plot altogether. To be a better manager you do not need anthropological theories on how societies function. To understand the way you relate to your colleagues it is not necessary to give up your belongings and play an elaborate and costly game. Management is hard. We all know that. But the clues to improving are not in simplified models of societies. They are right under our noses.



Lucy Kellaway

orate and costly game. Management is hard. We all know that. But the clues to improving are not in simplified models of societies. They are right under our noses.

An acquaintance in advertising recently had lunch with the editor of a national newspaper. Tell me, said the editor, how can we improve the content of our paper? The advertising man ventured to make a few suggestions, but as he did so felt a frost descend. Too late, he realised that he had not been asked

to criticise at all, but to admire. The anecdote exposes a weakness in the present craze for feedback. Solicit feedback! say all the self-help books. Successful employees are meant to be constantly asking people for honest opinions of their performance. The successful manager is meant to delight in delivering home truths in an open, helpful way. Yet real life is not like this. Despite what the communications courses teach, there is no softening a home truth. The received wisdom says that you should never tell someone that they are stupid or incompetent. Instead you should

describe the occasions on which they exhibited these tendencies. Thus the stupid and lazy person is supposed not to take it personally, but to see a way to improve. This is fantasy, you would have to be outstandingly stupid not to see through this gimmick.

The answer is for those of us who are unable to take criticism, to never, ever ask for feedback. If you are doing something badly wrong, it is the duty of your superiors to let you know - whether you ask for the information or not. But if you are bumbling along in a fair to middling kind of way, better to keep your head down. Ignorance is bliss.

These have been thin weeks for business news, and the Wall Street Journal Europe has been feeling it as keenly as the rest of us. Last Tuesday it resorted to filling a chunk of pages one and two with a description of *Telavivables*, the cult British TV series aimed at one- to four-year-olds.

I would love to know what the average investment banker made of *Dipsy*, *La-La*, *Tinky-Winky* and *Po*. The WSJ gave the subject its usual conscientious treatment, wheeling out an impressive number of quotes that filled the space nicely. Despite its blandness, the purpose of the piece was clear: the Brits are bonkers.

I have just thought of a way of making *Telavivables* less perplexing to an American business audience: turn it into a management training course. Managers could dress up in the hot, heavy costumes, and lose their inhibitions by bumping each other round and doing the *Telavivables* dances. Untold insights into team behaviour would flow I have every confidence.



GENERAL PROCUREMENT NOTICE

PROCUREMENT OF THE GOODS AND SERVICES UNDER JAPANESE GRANT AID '96 FOR ECONOMIC STRUCTURAL ADJUSTMENT OF PAPUA NEW GUINEA

The Government of Papua New Guinea has received a Grant Aid Three hundred million Japanese Yen (JPY 300 million) from the Government of Japan to purchase the Goods and services incidental to such Goods for public organizations and private sector companies of Papua New Guinea.

Categories of the Goods are:

- GENERATOR
- STOCK FEED
- FERTILIZER
- AGRICULTURAL MACHINERY

Eligible source countries are all countries and areas except Papua New Guinea. Firms or companies who are interested in supplying the Goods as mentioned above should submit to JAPAN INTERNATIONAL COOPERATION SYSTEM (JICS) the following information in written English as soon as possible.

- (1) Name and address of firms or companies
- (2) Name(s) of person(s) in charge
- (3) Telephone and facsimile number

The information is received BY FACSIMILE ONLY. By return, JICS would send REGISTRATION FORM by facsimile, which is to be filled and sent back with required documents (e.g. annual report) by registered mail, International courier service, and etc. Only firms or companies who have submitted the REGISTRATION FORM prior to a pre-qualification (P/Q) will be registered and P/Q will be made on only those firms or companies. P/Q for each procurement will be held one by one in accordance with the contents of submitted REGISTRATION FORM and will commence after three (3) weeks from this publication as soon as all the necessary preparation is ready. Criteria of P/Q shall be determined by each procurement which shall depend on each procurement conditions such as its nature, scale, etc.

It should be noted, however, that JICS is not committed to invite ALL firms or companies expressing interest after receiving the above mentioned form.

Tender Invitations will be issued to the pre-qualified firms or companies at a later date.

Attention: Mr. Shunichi KUDO, Project Manager
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The Financial Times plans to publish a Survey on

Private Finance Initiative

on Friday, October 17

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FT Surveys

Distance does not deter Canadian managers, says Della Bradshaw

Express delivery

With its biggest cities strung out across a continent and a 4-hour time difference between its east and west coasts, Canada is a difficult place when it comes to logistics. However, this has not prevented the Richard Ivey School of Business at the University of Western Ontario from devising an executive MBA course which is taught simultaneously across the country.

The first class of students from the two-year Video Executive MBA programme (Vemba) graduated this summer. The classes were taught in London, Ontario, Ivey's home town; but students participated as far afield as Calgary, Edmonton and even Vancouver.

The time difference is overcome using videoconferencing technology. Students study two full days in the "classroom" - Friday and Saturday every other week - on seven sites. In Toronto that means starting classes at 10am and finishing at 7pm; students in Vancouver start classes at 7am and finish at 4pm.

The Ivey school is planning to open an eighth campus in Mexico and possibly a further site in California, says Paul Bishop, director of the executive MBA at Ivey. The sophistication of the technology - each site is connected by six ISDN lines, triple the capacity of many systems - precludes further sites opening in more remote locations.

Faculty members teaching from the London, Ontario studio are faced with a bank of videoconferencing terminals, each one showing the students assembled at the different locations. There is also a document camera, used to send computer graphics or overhead projector images. At each student site there is one screen showing the lecturer and a second displaying the documents.

To ask a question, one of the eight or 10 students on each site presses a button and the camera zooms in. That picture is sent to the other sites and displayed as a smaller picture - "picture in picture" - on the screen.

The students require no special training to use the equipment. But the academics have had to adjust



their presentations to deal with the transatlantic, says Prof Bishop. In particular they have had to be better organised, to make the best use of the document camera.

As a result the classes are more formal, but only slightly. "As a teacher I'm confident we can deliver a comparable educational experience to the more traditional executive MBA," says Prof Bishop.

To ensure students have real contact with each other they meet locally in their study groups every week, usually to discuss case studies for a future class. They spend two weekends a year in London, Ontario with the whole class and an overseas

study element often involves students working together on projects. The international project is a required part of the course and paid for out of the course fees - C\$52,000 (£23,450) in total for the two-year programme (1997 prices).

The course participants have an average age of 37 and more than 10 years' work experience, so it is not surprising that some 80 per cent of them have their course fees paid by their employers. Since all the students work full-time while doing the course, the company has to recommend the student and commit to the time off needed. "You can't have people shot down from behind at work," concludes Prof Bishop.

Jobs with a difference

Pack up your MBA in an old kit bag

Back-packing does not rank among the world's most important management skills. Unless you are Tony Wheeler, that is. He has built up an A\$30m (£16m) business out of one of his favourite activities: travelling.

An engineer by profession, Mr Wheeler went to London Business School in the early 1970s and fully intended to return to engineering on completing his MBA course.

But before taking up his job at Ford, Mr Wheeler decided to take a year off with his wife and travel overland to Australia and back.

He did not come back. Instead he settled in Australia, took out dual nationality and wrote his first travel guide, *Across Asia on the Cheap*, "an all the way London to Sydney sort of thing," as Mr Wheeler describes it.

The journey to Australia took seven months and writing the book a further six. "We started it all because that's what we wanted to do," says Mr Wheeler.

After that he wrote *South-east Asia on a Shoestring*, from which the popular series of travel guides was born.

More recently Mr Wheeler's company,

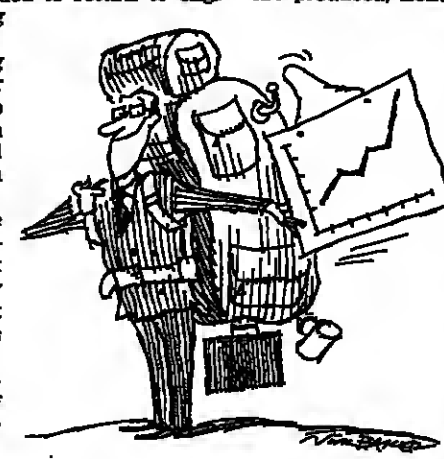
Lonely Planet Publications, has moved into country-specific travel guides, intended for a more mature clientele.

Today Australia counts for just 12 per cent of Lonely Planet's sales. As well as Australia, the company has offices in San Francisco, where all the books for the US market are produced, London and France, where a proportion of the books are translated into French.

Mr Wheeler believes that he still spends five months of the year travelling, often with his teenage children. This enables him to road test the guides he sells and identify where the spin-offs might be.

His other main tasks are to look down the road and pick up ideas - "I'm still quite good at that" - update and write some of the books and do the publicity for the company.

While he is away he deems himself lucky to have capable employees who can take care of the business. Several of them, he points out, have MBAs of their own.



DB

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A New FTSE Index for Athens
A free business seminar, 16.00 -
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Diamonds; Mr Ashish K Mehta, Karadi
Chhatrala and Mr Leon N Cohen, Codiam
Inc and Mr Richard Wake-Walker,
Archangel Diamond Corporation.
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Governor, The Bank of England;
Mr Gerard Pauwels, Maff SA;
Mr John Kemp-Welch, London
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Conferences & Exhibitions

DECEMBER 1 & 2
17th FT World Telecommunications
Confirmed speakers include: Sir Peter
Reed, Cable & Wireless plc; David
Trevay, Telecom Corporation; John
Siddons, UNINET Telecommunications
Corporation; Reed Hanks, Federal
Communications Commission; Andrew
Sukawaty, Sprint PCS (USA); Don
Coutts, ORTEL.
Contact: Silin Fancourt, FT
Conferences
Tel: +44 171 896 2626
Fax: +44 171 896 2696
e-mail: silin@pearson-pro.com
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DECEMBER 3-5
Venture Forum Europe '97
The 8th annual Venture Forum,
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Venture Economics, focuses on the
latest information on funds and
changes in fund structures, the debt
market, how privatisation is fueling
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Europe is increasing its appeal to the
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Fax: +44 171 896 2696
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DECEMBER 8 & 9
FT World Pulp & Paper Conference
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issues in the pulp and paper industry, their
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speakers include: Mr Brett O'Blanton,
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Board, Corvidated Paper Inc.
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Conferences & Exhibitions

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8. Mike Staunton October 20 - 24
EQUITY PORTFOLIO MANAGEMENT
9. Alessandro Panati October 27 - 31
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10. René Stulz November 3 - 7
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OPENINGS

UTRECHT
The Holland Festival of Early Music opens on Sunday with Giovanni Bononcini's *Il trionfo di Camilla* (1695). Jos van Veldhoven conducts a staging by Jos Groenier.

STUTTGART
Every second year, German conductor Helmuth Rilling and his Bach Academy present a two-week festival of music, backed by lectures, masterclasses and open rehearsals. This year's programme, entitled "Approaches to Romanticism", opens on Sunday with a performance of Beethoven's *Missä Solenne*.

COLOGNE
An unusual experiment in multi-lingual Shakespeare gets

underway at Halle Kalk on Sunday, when Karin Boer's new staging of *The Tempest* opens the 1997-8 Cologne theatre season. The cast is made up of 12 actors from eight European countries, all of whom will speak in their mother tongue. The British representative is Faith Tingle.

BERLIN
The new season at the Deutsche Oper begins on Sunday with a revival of Götz Friedrich's staging of *Tristan und Isolde*, conducted by the company's new music director, Christian Thielemann. The title roles are sung by René Kollo and Sabine Hass. The first new production will be a tribute to Kenneth MacMillan on September 6, featuring the Berlin premiere of his Mahler ballet *Das Lied von der Erde*.



LONDON
Proms highlights this week include tonight's semi-staged performance of the Glyndebourne production of *Le comte Ory*, a Dankworth and Ellington night

with Cleo Laine on Friday and a concert by the Swedish Radio Symphony Orchestra under Esa-Pekka Salonen on Sunday.

new productions of two non-Shakespeare plays: *The Maid's Tragedy*, directed by Lucy Bailey (Fri), and *A Christmas Carol* (Sat), directed by Malcolm McKay on Wednesday.

EDINBURGH
T.S. Eliot's play *The Cocktail Party* had its premiere at the 1949 Edinburgh Festival. Now the actor-director Philip Prowse stages it with his Royal Lyceum Theatre Company production. It opens tonight at the King's Theatre. Each year, the Edinburgh Festival sees a different production (Verd, Aeschylus, Shakespeare, Chekhov) by the



One man and his band

As Sir Neville Marriner takes a back seat, Andrew Clark ponders the future of the Academy of St Martin in the Fields

If you were to list the most successful partnerships in British music, Sir Neville Marriner and the Academy of St Martin in the Fields would surely be near the top. But for how much longer? In the public eye, the ASMF is so closely associated with Sir Neville that there are fears it may not survive his retirement, which he is expected to announce during his 75th birthday concerts in 1999.

The orchestra's future has become the subject of intense speculation among London's freelance musicians, many of whom depend on it for their livelihood. ASMF regulars are trying to devise a self-governing formula which would give them a voice in how it evolves and who is chosen as Marriner's successor now Sir Neville has made clear he wants to take a back seat.

Until recently, Marriner was the Academy. He chose its members, decided repertoire, conducted recordings and acted as front-man. Now 73, he has begun to scale down his engagements, leaving the players with a choice - to disband, or organise their own future.

The Academy has come a long way since Marriner and a few like-minded friends organised their first concert nearly 40 years ago. The idea was to play a repertoire and achieve standards which London lacked in the 1950s. The Academy of St Martin in the Fields, named after the London church where it first played, quickly found itself in the vanguard of the baroque revival. Recordings on the L'Oiseau Lyre label established its reputation, and it began picking up lucrative tour contracts. The Academy attracted the best freelance players by paying a premium rate, and by the mid-1970s, it had one of the strongest corporate identities in the musical world.

Its success was based not just on consistently high standards, but on Marriner's flair for spotting opportunities. He turned the Mozart bicentenary into a goldmine, recording most of the orchestral music as well as the soundtrack for *Amadeus*. He also had aspirations in the Romantic repertoire: it maintained the orchestra's commercial momentum, and it saved the players from endless repetition of Vivaldi's *Four Seasons*.

While the succession issue simmers, the ASMF is consolidating its structure. In May it invited 50 players to accept formal membership. The move not only cements the link with its best musicians, but gives them a stake in its future. After next month's tour to Mexico, members will choose the ASMF's first democratically-elected board.

At present, the Academy is better known abroad than at home, where critics tend to dismiss it as a slick recording orchestra. This image is reinforced by Marriner's disdain for public funding. He has always shunned the Arts Council, arguing it would interfere with the Academy's artistic policy; and he accuses the BBC of refusing to pay for sufficient rehearsal time - which explains why he has two Prom concerts this week as on tour with the Leipzig Gewandhaus Orchestra, rather than with the Academy. "The Academy does what it can afford to do," says its manager, Mrs George Brown. "We earn our



Marriner: at the Proms this week on tour with the Leipzig Gewandhaus Orchestra

living from tours and recordings. Any surplus is ploughed back into UK concerts and education work." With the record market in decline, however, the ASMF is keen to re-establish its "public" base at home. To do so it needs sponsors, and it has recently signed a deal with Northern Telecom worth £180,000 over three years.

Thanks to Norcom the Academy has increased the number of self-promoted London concerts next season to six, and commissioned a cello concerto from Sally Beamish. And after eight years it is returning to the church after which it is named. The two had fallen out over the Academy's attempt to patent the St Martin's name. Moves to end the rift began last year when a new vicar arrived, coinciding with the ASMF's appointment of Brown, a St Martin's bell-ringer in her spare time. The reconciliation will be sealed by an Academy sextet concert on September 5 and a Christmas festival.

Meanwhile, the Academy is making the most of Marriner. This year

there have been sold-out tours to Germany, the US, Paris and Hong Kong. Philips is planning a Marriner retrospective for his 75th birthday, and Hänssler, an independent German label, has given him *carte blanche*. Unlike members of London's permanent orchestras who sneer at his technical limitations, ASMF musicians have nothing but respect for Sir Neville. "He knows how to identify problems, and he gets the best out of people in the nicest possible way," says one Academy regular. "You wouldn't class him as one of the great conductors - he's just part of a very effective artistic outfit which he created. He's more comfortable with his own orchestra because he has the confidence it will know how to execute what he wants."

Marriner, who began his career as a violinist in the London Symphony Orchestra, originally envisaged the Academy as an enlarged string quartet, in which everyone had equal input. He talks nostalgically about its early tours, when the musicians played less for

money than for pleasure, and the Michelin guide was as important as the music. Today's "big band" of 75 players hardly allows such leisurely intimacy, and for that reason, Sir Neville believes it will do no harm to revert to a chamber ensemble. He lambasts the "timid" way in which authentic specialists tackle the classical repertoire, and says period instrument ensembles do not belong in the modern concert hall.

And there lies the ASMF's strength. Unlike London's other orchestras, it can be enlarged or reduced to serve whatever repertoire it is called upon to play, and no one plays who does not command the utmost respect of his or her colleagues. The Academy is a meritocracy. That is the secret of its longevity and the key to its future.

Marriner conducts the Leipzig Gewandhaus Orchestra at the Royal Albert Hall (Wednesday, Thursday), Birmingham (Friday) and Manchester (Saturday).

Pesaro Rossini lost to gimmicky productions

In 1992, when the Rossini Opera Festival in the Italian resort of Pesaro announced a production of *The Barber of Seville*, fans of the festival were unusually curious and expectant. As a rule, it is the rarity of its offerings that attracts Pesaro audiences. But, as these productions are based on the critical editions of the scores, sponsored by the Fondazione Rossini, even as popular a work as the *Barber* could give the audience some surprises. The 1992 staging in the Teatro Rossini was a dud: humourless and gag-ridden. Revived for this year's festival, after some tinkering by the designer, Giovanni Agostinucci, and the producer, Luigi Squarzina, it is only slightly improved (the corpse has been removed from Dr Barbiolo's operating theatre), and Squarzina's staging has gone from busy to frantic. Every one on stage seemed to be shifting chairs or picking up articles of clothing dropped by colleagues.

Fortunately, the conductor, Yves Abel, led a clean, fresh reading of the score and had a generally excellent cast at his disposal; only the Barber himself, Roberto Frontali, was blustery and superficial. The delightful Sonia Ganassi (something of a Pesaro discovery) created a pert, endearing Rosina, superbly touching in the final trio, and - although the last, long aria created difficulties for him - Paul Austin Kelly was a tender Almaviva. Patrizia Bicecci, another Pesaro find, made Berta's trivial aria sparkle.

But the main event of this year's festival was the staging of *Mosè e Faraone* in the vast Palazzo dello Sport. First given in Paris in 1827 (only two years before Rossini's final opera, *Guillaume Tell*), this solemn work is an elaborate recasting of a Neapolitan opera-oratorio, *Mosè in Egitto* (1818). After its Paris success *Mosè* was back-translated into Italian and ousted its predecessor. Given at Pesaro a few years ago, the original *Mosè in Egitto* impressed audiences and critics, kindling a debate about the relative merits of the two versions. There is no simple answer: the shorter, Italian opera has its own vigour and richness, the slower, more stately *Mosè* is undeniably affecting. Alas, Graham Vick's approach was wrong-headed, self-indulgent, and almost viciously destructive.

To emphasise the vastness of the Palazzo, he had the stalls removed, so the orchestra was at floor level, the conductor facing an elliptical playing area dominated by a large platform which could rise and sink. The main floor was enclosed by a narrow trough with a few inches of water - a liquid runway. Below it, the floor was covered with dirt. So singers were made to wade in the water and roll and flounder on the dirt. The Paris opera notoriously demanded stage-effects, and Rossini's French librettists provided several: a rainbow, a volcano, a plague of darkness, a shattered idol, and, of course the crossing of the Red Sea. Contemporary articles of clothing dropped by colleagues. Fortunately, the conductor, Yves Abel, led a clean, fresh reading of the score and had a generally excellent cast at his disposal; only the Barber himself, Roberto Frontali, was blustery and superficial. The delightful Sonia Ganassi (something of a Pesaro discovery) created a pert, endearing Rosina, superbly touching in the final trio, and - although the last, long aria created difficulties for him - Paul Austin Kelly was a tender Almaviva. Patrizia Bicecci, another Pesaro find, made Berta's trivial aria sparkle.

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William Weaver

INTERNATIONAL ARTS GUIDE

BERLIN

CONCERTS
Königsplatz: Tel. 49-30-203090
Berlin Symphony Orchestra: conducted by Elihu Inbal in works by Korngold, Ligeti and Beethoven, with soloist Peter Bruns; Aug 28

EDINBURGH

Edinburgh International Festival
Tel: 44-131-473 2000
CONCERTS
Bank of Scotland Fireworks
Concert: Brad Cohen conducts the Scottish Chamber Orchestra in the traditional Festival finale. The programme includes Shostakovich's Festival Overture, works by Handel and J. Strauss. If you can't get a ticket, try the view from Calton Hill; Aug 28

DANCE

Nederlands Dans Theater II: Tears of Laughter, choreographed by Jiri Kylian. Sister company of Nederlands Dans Theater 1, formed for mature dancers.

Programme of five separate Sonatas for Strings, Mendelssohn's Violin Concerto in E minor, with soloist Lella Josefowicz, and Schubert's Symphony No. 9; Aug 28

THEATRE

● The Cherry Orchard: by Anton Chekhov. After the success of last year's Uncle Vanya, Peter Stein returns to Edinburgh with Chekhov's most famous play, in a Salzburg Festival production seen there in 1995 and 1996. Jutta Lampe is Ranyovskaya. Performed in German with subtitles; Edinburgh Festival Theatre; Aug 28
● Measure for Measure: by Shakespeare. Directed by or Stéphane Braunschweig. Unlike *The Winter's Tale*, which was Braunschweig's French language contribution to the 1994 Festival, this production, staged by the Nottingham Playhouse, is in English; Royal Lyceum Theatre; to Aug 28

LONDON

BBC Proms, Royal Albert Hall
Tel: 44-171-599 8212
CONCERTS
● BBC Singers: conducted by Bo Holten in a programme which includes works by Brahms and Schoenberg; Aug 28
● BBC Symphony Orchestra: conducted by Oliver Krüsen in a programme which combines English and American folk songs and includes the European premiere of Elliott Carter's *Allegra scorevole*; Aug 26
● Leipzig Gewandhaus Orchestra: conducted by Sir Neville Marriner in a programme which includes the UK premiere

of Hans Werner Henze's Second Sonata for Strings, Mendelssohn's Violin Concerto in E minor, with soloist Lella Josefowicz, and Schubert's Symphony No. 9; Aug 27
● Leipzig Gewandhaus Orchestra: Alfred Brendel performs the Piano Concerto in A minor Schumann wrote for his wife. The programme includes works by Wagner and Mendelssohn and is conducted by Sir Neville Marriner; Aug 28

OPERA

● Count Ory: by Rossini. Semi-staged performance given by the Glyndebourne Festival Opera, with the London Philharmonic Orchestra conducted by Andrew Davis; Aug 25

LUCERNE

International Festival of Music
Tel: 41-41-210 3080
CONCERTS
● Adrienne Soós and Ivo Haag perform piano duets by Schubert; at the Union; Aug 26
● André Schiff: recital of Schubert piano sonatas; at the Union; Aug 26
● Anne-Sophie Mutter performs works by Brahms, accompanied by Lambert Orkis; at the von Moos-Stahl-Halle; Aug 27
● Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in a programme of works by Strauss. With cello soloist Godfried Hoogeveen and viola soloist Ken Halkin; at the von Moos-Stahl-Halle; Aug 25
● Royal Concertgebouw

Orchestra: conducted by Riccardo Chailly in works by Kuris, Rachmaninoff and Stravinsky; with piano soloist Arcadi Volodos; at the von Moos-Stahl-Halle; Aug 26
● Tenor Peter Schreier performs works by Schubert, accompanied by André Schiff; at the Union; Aug 25

OPERA

Jakob Lanz (1977/78); by W. Rühm. Performed by the Opernensemble und Chor des Luzerner Theaters and the Luzerner Sinfonieorchester AML. Conducted by Peter Kühn in a staging by Reto Nickler; at the Luzerner Theater; Aug 26, 28

NEW YORK

EXHIBITIONS
Museum of Modern Art
Tel: 1-212-708 9480
● Objects of Desire: The Modern Still Life - beginning with Cézanne, including masterpieces by Matisse and Picasso, and culminating with Pop art and contemporary works, this exhibition traces the art of this century through the various and evolving representations of objects; to Aug 26

SALZBURG

Salzburg Festival
Tel: 43-662-944501
CONCERTS
Arditti Quartet: in a programme including works by Pintscher; at the Mozarteum; Aug 27

OPERA

● Boris Godunov: by Mussorgsky. Conducted by Valeriy Gergiev in a staging by Herbert Wernicke. Samuel Ramey sings the title role. Cast also includes Philip Langridge. With the Vienna Philharmonic, the Konzertvereinigung Wiener Staatsopernchor and the Slowakischer Philharmonischer Chor Bratislava; at the Grosses Festspielhaus; Aug 25

● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenztheater; Aug 25, 28
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitschule; Aug 26, 28
● La Cenerentola: by Tito: by Mozart. Conducted by Gustav Kuhn, directed by Ursel and Karl-Ernst Herrmann and designed by Karl-Ernst Herrmann. With the Camerata Academica Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Kleines Festspielhaus; Aug 27

THEATRE

● Jedermann: by Hugo von Hofmannsthal. Revival of Genot Friedl's production; at the Domplatz; Aug 26
● Othello: by Shakespeare. New

production by London's Royal National Theatre, directed by Sam Mendes. Cast includes Claire Skinner and Simon Russell Beale; at the Perner-Insel; Aug 25

TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
The Handel & Haydn Society: conducted by Stanley Ritchie in a programme which includes Vivaldi's *Four Seasons*. With mezzo-soprano Lorraine Hunt; Ozawa Hall; Aug 27

VERONA

Arena di Verona
Tel: 39-45-800 5151
CONCERTS
Verdi's Requiem Mass: Zubin Mehta conducts the Philharmonic Orchestra of Israel and the Choir of the Verona Arena. With soprano Daniela Dessi, mezzo-soprano Mariana Lipovsek, tenor Vincenzo La Scala and bass Ruggero Raimondi; Aug 25

OPERA
● Aida: by Verdi. Conducted by Nello Santi (Roberto Tolomelli on Aug 28, 31), in a staging by Gianfranco de Bosio, revived by Susy Attendoli; Aug 28
● Macbeth: by Verdi. New production designed by Pier Luigi Pizzi with choreography by George Lianu. Conducted by John Neschling; Aug 28
● Rigoletto: by Verdi. Conducted by Nello Santi (Roberto Tolomelli on Aug 27 & 30), in a revival of Lotfi Mansouri's staging

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Tonight

Split in the ratings

Edward Luce on a possible challenge to the Standard & Poor's and Moody's agencies



Amid the daily torrent of news and statistics, the recent report that IBCA, Europe's largest credit rating agency, and Fitch Investors Service, the third largest in the US, were discussing a merger raised hopes in the world's financial markets.

By combining forces, IBCA and Fitch - at present little known outside their core markets - would mount a challenge to the two giants of the lucrative ratings business, Standard & Poor's and Moody's Investors Services.

Described by many as an international duopoly, the "big two" are the only agencies with a genuinely global reach in an industry that is vital to the borrowing ambitions of governments and companies around the world. Holding a rating from S&P or Moody's is often a prerequisite for a borrower to come to the market - and the quality of the rating determines the cost at which a government or company can borrow.

The prospect of an IBCA-Fitch merger has therefore been welcomed by those who believe the ratings business needs a competitive shake-up and who are concerned by the powerful role of S&P and Moody's as arbiters of global creditworthiness.

"It cannot be healthy to have such an important global industry dominated by just two players," says Karl Bergqvist, head of credit research at HSBC Markets in London. "No one would question the professionalism of Moody's or S&P, but a dose of competition would be most welcome."

Although neither Moody's, which is owned by Dun & Bradstreet, nor S&P, which is part of the McGraw Hill group, publishes financial results, their annual revenues are estimated to be at least four times as high as those of their nearest competitors. Moody's, with revenues of more than \$300m last year, and S&P, with revenues in excess of \$200m, dwarf the two merger candidates, which have combined revenues of just over \$100m.

More importantly, analysts estimate that operating profit margins at the "big two" may be in excess of 50 per cent. "The big two are earning monopoly profits," says one credit analyst in

New York. "They are basically in such a powerful position they can command the sort of fees other agencies can only dream of."

More than 90 per cent of revenues earned at the "big two" are derived from fees they charge to companies and governments in exchange for a credit rating. This income is supplemented by "surveillance fees" for providing an annual review of the credit rating.

In addition to straightforward company or sovereign ratings, the agencies rate a large proportion of bonds and other types of debt issued on the international markets. More than 75 per cent of all eurobonds, for example, are rated by the two agencies.

Borrowers who fail to seek a credit rating are often awarded "unsolicited" ratings by the agencies. In many cases, however, an unrated borrower is simply unable to come to the market without that seal of approval.

Bankers and investors in Europe worry that the power of the "big two" to affect the performance of bonds and other securities is too great.

The effect on governments in emerging markets is often even more significant.

"Ratings affect bond pricing and also - in the extreme - the availability of future finance," says a report by the NatWest Group on the role of ratings agencies. "Governments with large deficits cannot afford a collapse in their bond prices and the consequent increase in their interest rate burden."

Officials at IBCA, which is owned by Fimalac, the French holding company, complain that the "big two" also have an unfair competitive advantage in the US market. Under rules drawn up by the Securities and Exchange Commission, publicly regulated companies can only invest in securities which are rated by "nationally recognised" rating agencies.

In spite of years of lobbying, IBCA is only recognised as a qualified agency for bank ratings - even though it has rated almost 50 countries. By contrast Fitch, which is a specialist rater of structured and asset-backed bonds and has awarded just one sovereign rating (China),

is a "nationally recognised" agency.

Since a large proportion of international capital flows go through New York, this rule effectively prevents unrecognised agencies from establishing a global presence.

Known also as the "gatekeepers" of the international capital markets, the "big two" have also been criticised for adding little value to what the markets already know and at times awarding strikingly divergent ratings.

In their defence, the "big two" say they are only required to be consistent against their internal rating scales rather than against each other. Second, the two are in the fortunate position of being able to provide globally comparable ratings across all sectors.

"When we rate a Korean automobile company, we bring in automobile specialists from the US and Europe," says an official at S&P. "This gives us the kind of rating comparability no one else can call upon."

Paul McCarthy, chief executive officer at Duff & Phelps, the fourth-largest rating agency in the US, agrees that agencies add less value in the sovereign market than elsewhere. Where agencies come into their own, says Mr McCarthy, is on structured and specialist deals including securitised bonds, municipal finance and insurance ratings.

"These are phenomenally complex markets," says Mr McCarthy. "You cannot expect investors or fund managers to have the resources or expertise to rate these securities on their own."

Analysts at the "big two" point out that it requires years of investment and reputation-building to be in the position to give credible ratings to the more complex types of securities on a global scale. Investment bankers agree.

"What IBCA and Fitch would ideally need is a backer with a deep pocket who is prepared to take losses for years," says Mr Bergqvist. "What we don't want to see happening is a situation where the agencies get into a rating competition war to win business. Rating inflation is always a danger."

LETTERS TO THE EDITOR

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Great Mercedes ad, shame about the dealers

From Mr Howard de Souza,

Sir, Stefano Hatfield's plaudits for Mercedes' current ad campaign ("A model of its kind", *Ad in the News*, August 18) were as welcome to me as a piece of screeching chalk on a blackboard.

Yes, Mercedes' ad looks great, and the soundtrack breathtakingly brilliant in its simplicity. But Mercedes, like every other car manufacturer, seems unable to understand the schism between its brand promise (the perception of the brand) and the delivery of that

promise by a loose network of affiliates called dealers (the reality of the brand).

I recently test-drove a Mercedes, liked it and wanted to buy one. But, when the dealer realised that I was not willing to (a) load a basic carcass with lots of extras and (b) accept a finance proposal as a fait accompli, they did not bother to call me back to advise me whether they could better it, or whether they couldn't.

Second, Mercedes and a number of (German) brands seem to have learned nothing

from history. Have they forgotten the arrogance of the British car industry when faced by the challenge of Japanese manufacturers? Do they not recall that the Datsun Cherry offered such creature comforts as a radio and carpets, whereas everything was extra on British cars at the time?

The British manufacturers thought they could dictate, not respond to, customer demands and fuelled their own demise. Could the same fate befall the mighty Mercedes?

If Mercedes want to attract new customers like me with their "C" series, and if they want me to graduate through their models, they will have to try much harder than they are doing at present. Until reality and perception meet, I am afraid the brand promise is no more than a multi-million two-dimensional illusion.

Howard de Souza, The Gables, High Street, Berkswell, Warwickshire CV8 8EB, UK

Risk of relying on headline figures

From Mr Nicholas Allen,

Sir, In his article "Stock market splits" (16/17 August), John Plender seeks to correlate UK companies' stock market performance with their size, and concludes that over the last 18 months smaller companies have significantly underperformed the market, while larger companies have performed far better.

In doing so, however, he ignores one of the most significant anomalies of the current market: the substantial rise in the share prices of financial companies and the consequent effect on two of the most commonly used market indices, the FTSE 100 and the FTSE All-Share index.

Since January 1996, the FTSE All-Share index has risen by about 80 per cent while, in contrast, the FTSE Total Non-Financial index has risen by only 20 per cent. If financial companies were excluded from the FTSE 100, this index would similarly have risen by about 7-8 per cent less than the 32 per cent rise it has experienced over the same period.

These increases are still higher than the rise in the FTSE SmallCap Index of 14 per cent, but clearly the difference is significantly less.

These figures illustrate the extent to which one sector can influence stock market indices. With the exception of the financial sector, there

is little evidence to suggest that the recent rise in UK share prices has been the result of a wholesale upward re-rating of companies' future earning potential. Rather, the rises have been a consequence of the release of improved financial results, together with a benign macroeconomic environment.

Moreover, as the above figures illustrate, the rise has not been as great as has commonly been portrayed. As ever, investors who base their investment decisions on headline figures do so at their own risk.

Nicholas Allen, 36 Chalcut Road, Primrose Hill, London NW1 8LP, UK

Wanted: a better buzz word than 'Wasp'

From Mr Selwyn Hodson Pressinger,

Sir, The term "Wasp" is clearly a misnomer ("The Wasp takes flight", August 16/17). We should remember the Wasp's British ancestors were not the primary source of emigration to the US in the 18th and 19th centuries. As well as the many Irish, there were German Protestants and Catholics, who by the 1820s were emigrating in

droves. This mass exodus reached a peak in 1852, when 250,000 Germans a year were emigrating to the US, against a British figure of only 103,000.

To assimilate and advance more easily, many German and Irish anglicised their names or understated their Catholicism.

Wasps, in fact, were not just Protestant Anglo-Saxons, but came to include

German and Irish Protestants and Catholics as well.

While the term "Wasp" will clearly never gain currency, there must be a better word than Wasp - preferably a buzz word without a pejorative sting in its tail.

Selwyn Hodson Pressinger, 17 Place de Reigaux, 59800 Lille, France

Justifying upstream oil investment

from Prof Paul Stevens,

Sir, The article by Robert Corzine "From minor to major" (August 19) rather misses the point concerning limited upstream investment by national oil companies outside their own territory. Surely a more logical explanation for the limited interest is that it makes no commercial sense for one government to invest its resources in the creation of a "cash cow" for another government to milk.

Only in two situations could such external upstream investment be justified: if the prospects of discovering further oil reserves in home territory are very poor, or if it is expected that such investment might facilitate technology transfer. The former applies in some countries but certainly not in most members of the Organisation of Petroleum Exporting Countries (if in any). The latter is debatable as there are cheaper ways to come to grips with such technology.

Paul Stevens, professor of petroleum policy and economics, University of Dundee, Dundee DD1 4HN, UK

Technology · Andrew Baxter

Reaching new depths

Sophisticated innovations are aimed at recreational divers

For scuba divers, meeting a shark can be a shocking experience - or worse. But the Shark Pod, a South African-developed gadget launched last year, puts the boot on the other foot.

Scientists have known for years that sharks are extremely sensitive, via pores in their snouts, to even trivial electrical impulses. They can detect electrical fields equivalent to a single small torch battery, according to Florida-based Shark Pod USA, which markets the protective device in the US, Caribbean and Mexico.

It took years of development and testing to produce a low-voltage electrical transmitter, powered by a rechargeable six-volt battery, that keeps sharks at least 3.5m-6m from the diver with a current about one quarter the strength of an electrified cattle prod.

The device, which costs about \$700, is harmless to man, fish and shark, but only the sharks find the tiny current intolerable. "It's attracting new divers, who previously would not try the sport because of fear," says Bryan Mitchell, director of Shark Pod USA. Adapting the technology for use on life-jackets or surfboards is being investigated, he says.

The Shark Pod is an example of the wide range of recent technology innovations aimed at scuba divers. The fast pace of change partly reflects rising living standards.

"With increased spending, people are putting more into diving and other water sports," says Judith Revill, marketing manager at Ocean Leisure, the big UK water-sports retailer.

As a result, technologies that were once the preserve of military or commercial divers are being developed for recreational purposes. An example is an underwater "scooter" or transit vehicle produced by the US company Farallon Systems. This is popular with navies but is

now being marketed to scuba divers at about \$4,900.

Another example is the development of rebreathers for scuba divers. These "closed" breathing systems have been used for decades in military and commercial fields and recycle exhaled oxygen. One of their main purposes was stealth, as they enable divers to approach enemy shipping without giving off bubbles.

Scuba divers have traditionally used open systems in which the oxygen is exhaled and lost. Rebreathers, introduced over the past two years, roughly treble the amount of diving time and allow divers to get much closer to shy ocean creatures without disturbing them. The systems cost about \$4,000 for scuba divers compared with \$19,500-\$21,200 for commercial systems, says Michael Thomas, diving technician at the UK subsidiary of Uwatec.

This Swiss instrumentation company developed its Atlantis 1 rebreather for scuba divers with Dräger of Germany, which is credited with inventing rebreathers in the 1930s. It is a semi-closed system in which the exhaled oxygen is recycled, and the carbon dioxide is scrubbed from the exhaled gas with a form of soda lime (in a microcosm of the scrubbing systems used in power stations). "They have sold very well in places like Flo-

rida and the Bahamas, although in the UK people are less willing to spend the money," says Mr Thomas.

Broader developments in information and communications technology have also contributed to the recent slew of new products for scuba divers. "If you were a diver who 'hung up your fins' five years ago, you would not recognise [the product range] today," says Brian Bickell, sports sales manager at UWI Circle, a Scottish-based diving equipment manufacturer and distributor.

"For 20 years it was stagnant, but over the past five years development has been incredible."

Dive computers with large, easy-to-read liquid crystal displays (LCDs), worn mostly on the wrist, have benefited both from the development of digital technologies and of life support systems for astronauts.

Computers from companies such as US-based Cochran Undersea Technology and Finland's Suunto carry an increasingly wide range of user-programmable features for controlling the gas mix and other variables. Intelligent features include computer modelling techniques to monitor ascent rates and help prevent decompression problems.

Cochran is also developing a dive mask, code-named

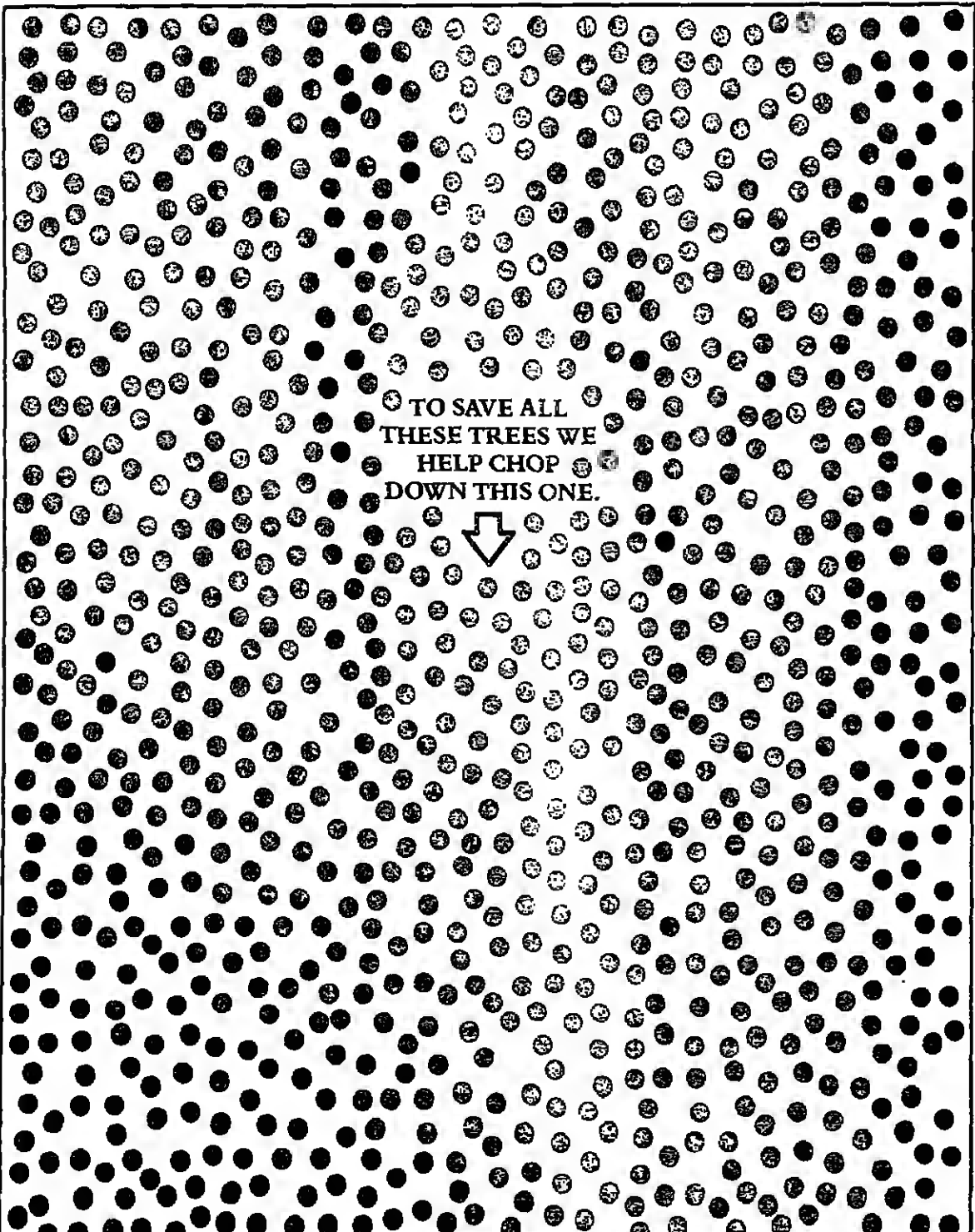
Spectacle, which is claimed to be the first with an integrated "heads-up display". This will show mission dive information at the bottom of the diver's field of view.

Suunto and Citizen Watch of Japan are among companies producing diving watches which incorporate many features of the dive computers. Suunto's Spyder watch blinks a "slow" warning and beeps if the ascent is too fast. Citizen's recently launched Hyper Aqualand watch starts recording detailed information as soon as the dive begins and stores the data for up to 30 consecutive dives. As with most dive computers or watches, data can be downloaded to a PC when the diver has returned to the surface, and converted into graphic displays.

Beyond developments in IT, several other recent innovations combine clever use of design and materials. The Force Fin, made by a Californian company of the same name and introduced in the early 1990s, is aimed at swimmers as well as scuba divers. Its curved, flexible V-shape mimics the design of a dolphin's tail. The fins, made of a modern polyurethane-type plastic, work by "storing" some of the energy from the power stroke and rebounding to make the recovery stroke easier, increasing efficiency by 40-60 per cent compared with the best conventional counterparts.

Regulators, the link between the diver and the air cylinder, are also changing. The Mares Rnby, launched this year, replaces the conventional high-pressure valve that controls the air flow in the first stage of the regulator with a ruby. This sits like an egg in an eggcup-shaped orifice made of high-quality polymer, offering much increased wear resistance.

The Scubapro G500 - produced in Italy like the Mares - has a number of innovations including a patented system that "tunes itself" to the diver on each breath. This helps reduce the strain of pushing down on the spring in the regulator's second stage - the part that fits in the mouth - and allows the diver to breathe more naturally.



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Monday August 25 1997

Decision time for Mr Kohl

Helmut Kohl, the German chancellor, returns to his desk from holiday today to confront a worsening mess inside his government. Ministers, humiliated by the collapse of plans for tax reform, have been squabbling about a possible cabinet reshuffle. Now the finance minister, Theo Waigel, has made the matter more urgent by publicly proclaiming weariness after more than eight years in the job.

Mr Kohl needs to get a grip, and fast, if he is to stand a chance of leading a united and purposeful government for the remainder of his term. If he fails, he could well be defeated in the election due in September 1998.

Mr Waigel's intervention on television last week was extraordinary. While he spoke of leaving his job only after the election, his remarks destabilised the government. They also left Mr Waigel, leader of the CDU, one of the coalition's three parties, looking like a lame duck finance minister.

This would be an argument enough for a reshuffle in the next few weeks. Mr Waigel has in any case outperformed his usefulness. He badly mishandled the unnecessary dispute with the Bundesbank over revaluing its gold reserves. He shares responsibility for the abortive tax reform, and for the government's general failure to revitalise the economy. With difficult decisions looming – not least over European monetary union – Bonn needs strong economic leadership more than ever.

There are other reasons for surgery. The economics ministry, headed by Günter Rexrodt of the liberal FDP, seems to have trouble defining its raison d'être. Several other ministers are tired and lacklustre. And Mr Kohl has been struggling to assert his authority in the face of a narrow Bundestag majority, an upper house controlled by the opposition, and two quarrelsome coalition partners.

What he needs is a dramatic gesture that would enable him simultaneously to reimpose his personal stamp on the government, and the squabbling between the coalition parties and take control of the economic and fiscal agenda. Hence the weekend speculation of a reshuffle in which Mr Kohl's heir apparent, Wolfgang Schäuble, would take charge of a new super-ministry created from the finance and economics departments. Though a government spokesman denied such a move was in prospect, it would certainly fit the political bill.

There would also be disadvantages. Both the CDU and the FDP would need to be compensated for the loss of cherished ministries. Other ministers with powerful constituencies might have to be removed. Frictions would undoubtedly ensue.

But these risks are calculable and negotiable. The greater danger for Mr Kohl may be doing nothing and thus rendering his government impotent.

Syrian moves

The warming of relations between Iraq and Syria, two historical Arab foes, is a reminder of the perverse effects – and dangers – of the breakdown in the Middle East peace process.

It represents a tactical manoeuvre by President Hafez al-Assad of Syria, who has been working to strengthen Arab ranks against Israel's assault to hand back conquered Arab land in return for peace. Mr Assad is also concerned by his alliance developing between Israel and Turkey, seeing it as a potential threat to Syria's security.

The first signs of a thaw with Iraq came in May with the visit to Baghdad of a Syrian business delegation eager to win a slice of Iraq's \$2bn oil-for-food deal permitted by United Nations sanctions. The visit was followed by the opening of borders for business travellers. Last week, reports emerged of talks aimed at pumping Iraqi oil through a long-closed pipeline to the Syrian port of Tartous.

Mr Assad's moves to counter Israel's headline policies have not stopped at Iraq. He has kept up the pressure on Israel through Lebanon's Hizbollah movement, which is fighting to drive Israel out of its occupation zone in south Lebanon.

He has also played an important part in the recent improvement in relations between Iran, Syria's strategic friend, and Saudi Arabia, a key US ally. In this effort Mr Assad has been helped by two important factors. The first is rising domestic pressure on Saudi Arabia's King Fahd to distance himself from US policies. The second is the surprise May election in Tehran of Mohammed Khatami, a reformist president.

The US is watching the shifting sands in the Middle East with increasing concern. Mr Assad was an important partner in the allied coalition during the Gulf war. Today, his moves are serving to highlight the limitations of the US vision of the Middle East, in which Iran and Iraq are isolated while Israel and its Arab neighbours seek peace and normal relations.

New US commitments to breathe life into the deadlocked Palestinian-Israeli peace talks, as proclaimed by Madeleine Albright, secretary of state, earlier this month, are essential. And Syria has welcomed them as a step in the right direction. But closer US attention will also have to be paid to the Syrian-Israeli peace front.

Mr Assad's price for peace is the return of the Golan Heights captured by Israel in the 1967 war – a move Benjamin Netanyahu, Israel's prime minister, has so far ruled out. When Mrs Albright makes her promised trip to the region next month, she would be wise to include Damascus on her itinerary and give Mr Assad a hearing.

Tartan taxes

It is a truth almost self-evident about modern democracy that electorates dislike voting for tax increases. Both main British political parties accept this; so it may be wondered why the Scots should take a different view.

True, the tax-varying powers envisaged for a Scottish parliament could, in theory, result in lower tax levels north of the border. But those voting in the referendum on this issue next month would be unwise to bank on it, for two reasons.

First, a Scottish parliament would be under strong pressure to spend more on services under its control, particularly health and education. Secondly, a decision to lower taxes in Scotland would cause English taxpayers to look critically at the £14bn block grant to Scotland. Even now, it can be argued that this sum is excessive in relation to population and income distribution. That argument could become caustic if the Scots were not seen to be paying their fair share.

Why then, should the Scots want to give themselves powers which could add the equivalent of 3p on income tax or, in theory, add 37 per cent to council tax bills? One answer is that if devolution is to be a serious transfer of power, the Scottish people must have the right, within limits, to determine for themselves the balance between public and private consumption.

And giving the parliament power to tax could encourage a high turnout at elections – most important if it is not to fall in to the hands of the corrupt cliques which have so disfigured parts of the Scottish Labour party.

These are important considerations. Yet before voting Yes to the referendum a tax question, Scottish people need to think hard about the industries expressed by some businessmen. They argue that higher taxes would disadvantage Scottish businesses against competitors south of the border. This could come either from a direct impost through business rates or through the labour market. Higher personal taxes might cause a southwards drift of skilled people or an increase in Scottish pre-tax wages.

Although these effects might not be large, the stakes are high. Inward investment to Scotland reached \$3.1bn last year. Against this benefit, the claim of some academics that increasing taxes and public spending could stimulate the economy are speculative, to say the least, and probably plain wrong. These difficulties are compounded by continued uncertainties about how a tartan tax would work in detail.

In the end, Scottish patriotism may well prevail, but representation without taxation could, in this case, be an entirely reasonable option.

The valley's magic formula

Silicon Valley's success depends on its risk-taking culture and not on its more recent flaunting of wealth, says Louise Kehoe

Silicon Valley is humming. After four consecutive years of strong economic growth, California's high technology heartland, is setting records for the creation of new businesses, jobs and wealth.

The success of Silicon Valley – a 50-mile stretch of land bounded by the Pacific Ocean and San Francisco Bay – prompts the question: how long can this go on?

Some industry leaders see no end to it. They claim the valley has entered a golden age in which the business cycle has been all but abolished.

Others are not so sure. Can such a torrid rate of growth be physically sustained? Could the valley's magic formula be undermined by social changes?

For now, optimism reigns. Silicon Valley is home to an estimated 7,000 high-tech companies, with a dozen or so new ventures being created each week. Venture capital funds are pouring in at an unprecedented rate. New companies in the valley attracted more than \$1bn in venture capital investments in the second quarter of this year – an all-time record, up 34 per cent from the same period last year, according to Price Waterhouse, the consulting and accountancy group.

Start-ups and other fast-growing companies helped to create 125,000 new high-paying jobs over the past four years, including over 50,000 last year.

With unemployment at a mere 3.1 per cent and exports rising at about 30 per cent a year, the valley is being hailed as the zenith of US capitalism and the model of entrepreneurial industry. Wall Street is caught up in the euphoria. The market value of quoted Silicon Valley companies totals nearly \$450bn.

Silicon Valley is emblazoned on the covers of US business magazines. BusinessWeek declares the valley to be an "economic miracle" and the "quintessence of the American dream". In a recent survey of residents, 76 per cent are convinced that the good times will continue. This is the highest "feelgood factor" since numbers were first collected in 1987.

The internet is driving this new wave of growth in Silicon Valley. Software, rather than the valley's traditional semiconductor and computer hardware businesses, is growing fastest. This has led some economists to declare that the region is no longer dependent upon capital spending cycles, and is thus impervious to general economic trends.

Yet among high-tech industry veterans, memories of the boom and bust cycles of the 1970s and 1980s linger.

Today, "there is a whole generation of people in the valley who have only ever seen the good times," notes Bob Wayman, chief financial officer of Hewlett-Packard, one of the valley's biggest employers.

Economists from the University of California, Los Angeles, issued a warning in June that Silicon Valley was bursting at the seams.

"The valley appears too crowded, too high-priced and too hemmed in by restrictions (on building development) for these growth rates to long endure," says Tom Lieser, author of a



UCLA study of the California economy.

Residents of northern California do not need statistics to prove the point. House prices are skyrocketing. Average prices were up 18.5 per cent last year. In Atherton, a favourite location for high-tech executives, 80 per cent of homes sold last year went for over \$1m. The city boasts an average household income of \$288,000.

Other Bay Area cities that were once considered suburbs of San Francisco are now engulfed in the high-tech phenomenon. Traffic jams on highways to and from Silicon Valley speak volumes about the tens of thousands of new jobs created over the past few years.

Local politicians fear Silicon Valley will become a victim of its own success, as high prices and overcrowding force companies out. It would not be the first time. Waves of outward migration from the valley during previous "boom times" helped to create centres of high-tech industry in Austin, Texas; Phoenix, Arizona, and other parts of the US.

Another problem that threatens future growth is an acute shortage of engineers and software developers. Growing companies in the valley must now struggle to find qualified people. Universities that serve Silicon

Valley – including Berkeley and Stanford – produce more engineering graduates with more advanced degrees than in any other part of the US, but it is not enough.

Yet Silicon Valley has long been a magnet to "techies" from all over the world and the US shortage will surely be filled by immigrants, so long as the US government does not adopt the kind of restrictions debated by Congress last year. These could have cut immigration by 40 per cent. That debate served as a wake-up call to valley executives, some of whom have become active campaigners on the immigration issue.

"Immigrants helped to build Silicon Valley," says T.J. Rodgers, chief executive of Cypress Semiconductor, a valley chip-maker. Immigrants working in research and development at Cypress help to "create jobs for native-born Americans and make Silicon Valley, and the US economy, stronger," he says.

Silicon Valley may welcome immigrants and be largely free of ethnic or racial prejudice, but it is no social paradise. Intense competitiveness, especially among start-up companies, leads to a gruelling schedule. The 60-hour working week is not unusual and it takes its predictable toll on family life. Yet there

are few complaints among those intent on building the next Yahoo! or Netscape.

What motivates this dedication? The answer is twofold: status and money. Status among high-tech peers is achieved by creating and marketing innovative technology, by "making a difference". This, in turn, is measured largely by wealth. "Money is the way we keep count," those from the valley will say.

The conspicuous wealth of a significant segment of the valley's population is one of the biggest changes to occur over the past few years.

Among the early generations of high-tech entrepreneurs, only a few made a lot of money and most were careful not to flaunt their wealth. Mr Jerry Sanders, founder of Advanced Micro Devices, used to cause a stir in the 1980s by driving a Rolls Royce. Now there are millions aplenty. More than 20,000 were created just last year, according to BusinessWeek. They are far more ostentatious than their predecessors. The measure of wealth has become "whether my kid's airplane is bigger than your kid's airplane," quips one industry analyst.

The danger is that the increasingly visible gap between those who have "made it" and those who labour for them will destroy

the egalitarianism that has been a hallmark of the Silicon Valley business culture.

For most high-tech workers, stock options represent the fast track to financial security. Rapidly rising high-tech stock prices have made these options especially lucrative over the past few years and have done much to create the valley's optimism.

A reversal of Wall Street's bull market could, however, wipe out many of these paper gains. Top industry executives are concerned about the effect this might have on employee morale and productivity. Microsoft warned financial analysts last month that a prolonged slump in the stock market could force it to pay much higher salaries to compensate for the lack of stock option bonuses. California high-tech salaries are rising at five times the national average.

This could be the valley's Achilles heel. Without the promise of stock option pay-offs, there may be little incentive to give up a relatively secure job to join a start-up.

Small wonder the valley is becoming a media-sensitive society in which it sometimes seems getting the chief executive's face on the cover of a magazine is just as important as shipping new products. So long as the positive images prevail, there is hope that investors will not lose faith.

Steve Jobs, of Apple Computer, is the perfect example. While Apple is struggling to survive, Mr Jobs made it to the cover of Time magazine this month, spurring a rise in Apple's share price.

However, Apple's decline may also signal the biggest threat to Silicon Valley. Just as Apple was blind to the rise of competing technologies such as Microsoft Windows, the valley is now largely ignoring the potential of technology imports. The "smart card" – a credit-card sized data storage device – is already used in Europe with cellular telephones and could become an important link in the convergence of computers and communications, but it has only recently been noticed in Silicon Valley.

East-coast companies are often dismissed as bureaucratic and European competitors are entangled by social regulations. Japan, many in the valley say, is no longer a serious competitor because of its domestic economic problems, while the high-tech manufacturers of South Korea, Taiwan and other countries still have much to learn about marketing and distribution.

Such hubris may be a bad omen. But Silicon Valley has hidden strengths. One of its least recognised qualities is a high tolerance of failure. This encourages each new generation of entrepreneurs to risk everything for the chance to hit the jackpot. Perhaps only one in 10 will be successful, but the rest will be credited with having tried.

So long as this risk-taking culture survives, Silicon Valley will keep its edge. Nobody expects the economy of the region to fall off a cliff tomorrow, but the exuberance has an unhealthy taint of over-confidence. The valley should take to heart the mantra of one of its leading executives, Andy Grove of Intel, who warns: "Only the paranoid survive."

OBSERVER

Gunter's goodbye

Timing is everything in politics: so was it such a good idea for German economics minister Günter Rexrodt to head off yesterday for a week-long tour of central Asian states?

Talk of a cabinet reshuffle is gathering pace in Bonn after finance minister Theo Waigel made clear last week he wanted a new role, though not necessarily immediately.

Speculation was running hot in yesterday's press, ahead of Thursday's first cabinet meeting since the summer break. Chancellor Helmut Kohl will be keen to restore order when he returns from holiday today.

Rexrodt has been less effective in cutting subsidies than might be expected from a member of the Free Democrats, the economically liberal junior coalition partner, and his initiatives have a habit of coming to naught. As he leads a delegation of businessmen through Turkmenistan, Uzbekistan and Kazakhstan, let's hope the telephone connections are good.

Let's also hope he has better luck than he had on his trip to Africa last year: he ended up in intensive care with malaria. This worried ministerial colleagues, and defence minister Volker

Röhe, on a visit to India soon after, assigned one of his aides to stay close by him to kill mosquitoes. His hosts were astonished to see a German official repeatedly clapping his hands in front of his boss's face.

Grief encounter

When Mahathir Mohamed, Malaysia's prime minister, starts something, he generally finishes it. So it typifies strange that he has dithered publicly over the question of whether to meet George Soros, the US financier whom he has called a "moron" and accused of trying to impoverish poor countries through speculative attacks on their currencies. Soros has repeatedly denied the charges.

At first Mahathir said he would meet Soros if the opportunity arose. Now that both are scheduled to be in Hong Kong for the World Bank conference in September, such an opportunity has presented itself – and Soros has invited Mahathir to meet him. But the Malaysian premier appears to have changed his mind and said at the weekend he would go to Hong Kong but he would not meet Soros.

There was no indication as to what has prompted his change of heart, but some of his recent remarks on currency speculation suggest that the mechanisms of

financial markets may not be his strongest subject. On one recent occasion, it was his own remarks on the subject which were blamed for the weakness of the ringgit, the beleaguered Malaysian currency which has accused Soros of attacking.

Winged victory

Members of the US congressional transportation committee made a flying visit to the UK last week to investigate the proposed British Airways-American Airlines alliance. After a chat with intrepid aviator Richard Branson, who reckons the plan spells catastrophe for air travellers, the committee headed off to tour BA maintenance facilities.

The doors of a maintenance hangar were thrown open for the committee – to reveal a Virgin Atlantic 747 undergoing a routine overhaul under contract by the world's most psychedelic airline. Emblazoned across the side of the aircraft's fuselage was "No way BA-AA". Handsome, Branson.

Soft ball

Until now Japanese sports fans haven't taken to soccer in the hordes that officials at J-League, the country's national

league, had hoped. But there are some signs that western-style football culture might finally be starting to take root; the Shimizu S-Pulse club has been fined ¥5m for the rowdy behaviour of its fans.

Apparently, Shimizu fans were so upset at the referee's decisions in a recent game against Kashima Reysol that they held a sit-in. About 40 of them sat in front of the Kashima bus, stopping the away side from leaving, and some of the fans even demanded to speak to the referee. It might not add up to much – especially in a country where baseball teams and crowds can turn ugly – but it sounds like the thin end of the wedge.

Fit of peak

United Pictures International is unhappy with Japanese rice company Nigata Rocky. It has filed a complaint with Japan's patent agency claiming that the "Rocky Champion" brand is an attempt to profit from Sylvester Stallone's multiple "Rocky" boxing films.

The company says the name evokes the fresh air and mountain wilderness of its location in Nigata prefecture, north of Tokyo – like the North American Rocky Mountains. So, it says, there isn't a grain of truth in UPI's charges.

Financial Times

100 years ago

Gold Fever In The North Klondyke is rapidly assuming the intensity of a mania. Numbers of youths in Great Britain are saving up their odd shillings preparatory to making a start for the land of promise. Across the Atlantic the fever, if possible, is even more virulent. Upwards of forty Klondyke companies with a capital of over 220,000,000 have already been floated in America, and still they come. The spirit of adventure are both appealed to by these far-off gold fields on the edge of the Arctic circle. Unfortunately a single favourable article in the Press on the chances of prospectors undoes the work of a dozen pieces of sound advice.

50 years ago

Lloyds Bank Progress Advertisement: "Many musty old records remind us that our sign hung in Lombard Street [in the City of London] when Black Ivory and Guinea Gold were everyday topics of conversation between bankers and their customers. The efficiency of our modern accounting and calculating machines reminds us that we have moved with the times. The last Guinea [£1.05] was minted in 1813."

IMF and Albania to discuss emergency aid

By Kevin Done, East Europe Correspondent

International Monetary Fund officials are to begin talks with the Albanian government today on the terms of an emergency economic support package, which is expected to include the dismissal of the central bank governor.

Agreement with the IMF on strict guidelines for future economic policy is a crucial first step if Albania is to secure the backing of aid donors - including the World Bank and the European Union - to begin reconstruction after months of civil conflict triggered by the collapse of fraudulent pyramid finance schemes.

In an effort to restore confidence in the financial authorities and expedite negotiations with the IMF, it is understood the government is planning to dismiss Qamil Tusha, the governor of the Bank of Albania, the country's central bank. Mr Tusha was appointed in April

as part of the campaign by discredited former president Sali Berisha to impose his own influence on the bank. At the height of the crisis Mr Berisha forced out of office the then governor, the respected Kristaq Luliku, who had fought to maintain the independence of the central bank.

The Socialist-led, five-party coalition government elected last month following the collapse of the Berisha regime, is expected to put forward Mr Shkelqim Cani, a former communist deputy prime minister and socialist member of parliament as the new governor.

Mr Cani is close to Mr Fatos Nano, the Socialist prime minister, who won an overwhelming victory in last month's election.

He previously served as a director of the state bank and under the communist regime was deputy prime minister in one of the short-lived governments led by Mr Nano at the beginning of the 1990s. The

adoption of tight monetary and fiscal policies will be key to reaching a successful outcome in the negotiations with the IMF.

But western officials accept that the scale of the damage suffered by Albanian institutions and the destruction of much of the economy's infrastructure during the recent anarchy rule out early agreement on a long-term IMF support package.

During the present two-week mission it is hoped to agree so-called "post-conflict emergency assistance" of a type previously provided only in Bosnia and Rwanda.

Initial IMF assistance is expected to amount to between \$12m and \$13m, but it would pave the way for leading multilateral and bilateral donors to Albania, including the World Bank, the EU and Italy, to resume aid programmes that totalled around \$200m annually before the collapse into disorder.

Hoffa to run in new Teamsters election

By Leslie Crawford in Washington

James P. Hoffa, son of the legendary Teamsters boss Jimmy Hoffa, yesterday seized on a mounting financial scandal surrounding last year's leadership contest to challenge Ron Carey, president of the 1.4m-strong US labour union, to a new election.

A US court decision on Friday to nullify the election results, following the discovery of illegal donations to Mr Carey's campaign, has rekindled rivalries within the International Brotherhood of Teamsters days after its successful two-week strike against United Parcel Service, the largest parcel carrier in the US.

Mr Hoffa, a labour lawyer from Detroit, yesterday played down Mr Carey's role in the dispute. "It was the members who won this strike, not Ron Carey," he said in a television interview. "It will be a difficult race, as the incumbent has all the power on his side," he said, welcoming the decision to order a new election. "But after six years of Ron Carey, the Teamsters Union today is on the edge of bankruptcy and is hopelessly divided."

Speaking on the same programme, Mr Carey denied any knowledge of campaign funding improprieties as he struggled to defend his reputation as the movement's Mr Clean. "This was a scheme by outside consultants to rip off the union and line their own pockets."

The court ruled that \$221,000 in illegal donations had been made to a Carey fundraising group called Teamsters for a Corruption Free Union (TCFU), which were then used for a last-minute direct mail campaign to tip the election in Mr Carey's favour. Although the donations were later returned, Barbara Zack Quindel, the court-appointed election overseer, said: "TCFU-funded mailings could have persuaded at least a small percentage of Carey-state supporters to cast their ballots and therefore may have affected the outcome of the election."

In separate inquiries, the Justice Department and the US Senate are examining whether the Teamsters channelled contributions to the Democratic National Committee in exchange for donations to Mr Carey's campaign. Newt Gingrich, speaker of the Republican-led House of Representatives, yesterday called for an additional probe into links between the Democratic party and the Teamsters. Although Ms Quindel exonerated Mr Carey from any wrongdoing, she has recommended further prohibitions from outside donations, limits on union member contributions and stronger disclosure requirements to make elections more transparent.

THE LEX COLUMN

Joyless Japan

Japan is striking up the sorts of records it can do without. Renewed pessimism about the economy has driven yields on benchmark government bonds to record lows of around 2 per cent. Partly this reflects the damage inflicted on demand by the April rise in sales tax. But the recent Asian currency turmoil has been a further blow, exports were the one bright spot, but the tightening of monetary policy in the region as governments defend their currencies looks like curbing demand. More than 40 per cent of Japan's exports go to Asia.

The fall in bond yields has been accompanied by a big downward revision in interest rate expectations, but this has not helped equities. The Nikkei is languishing at a four month low as fears about higher rates have been replaced by concerns about shrinking profits. Clearly the mealy yields on offer make bonds an unattractive investment. But nor is it easy to get enthusiastic about shares while growth remains so tepid.

There is no easy solution. The government's finances do not allow resort to fiscal stimulus, and monetary policy is hardly an option; short rates are already rock-bottom, while the US administration is hardly likely to tolerate a politically contentious yen devaluation. Until the banking crisis is clearly past, and deregulation starts to deliver fruits, it is difficult to see shares moving decisively higher.



really did not know how to narrow the gap further - at least, not without imposing further austerity. But is it not also possible that this modest overshoot actually suits them?

One rationale for this apparently heretical suggestion could lie in the position of Italy, which France - in sharp contrast to Germany - wants to join Euro from the start. If Paris can judge its deficit performance so that it does as well as (but no better than) Italy in the forthcoming Maastricht treaty contest, it will be difficult for Bonn to exclude Italy without likewise excluding France - which of course is unthinkable. Exclusion would be all the more unlikely if Germany lost its own battle to hit the magical 3 per cent.

GM/GM

The generals in the battle between merger partners Guinness and Grand Metropolitan (G&M) and opponent LVMH have retired to the beaches/moors for a summer break. But Bernard Arnault, LVMH's canny chairman, will not be resting. With over £5bn at stake - his investments in Guinness and GrandMet and his two thirds of Moët Hennessy - he needs to cut a deal. And the closer Guinness and GrandMet get to forming GMG, the weaker his negotiating position.

Thus far, his attempts to add MH to the merger pot while demergering GMG's brewing, food and Burger King interests, have met with limited interest. An obvious option would be for LVMH to secure buyers for the proposed demergers to provide more concrete valuations - say Kraft Foods putting a provisional price on Pillsbury. However, without access to GrandMet's books, it will be a struggle. There is a potential £1.5bn tax bill from sales, so it needs to be a good price. Besides, Mr Arnault cannot bid for either Guinness or GrandMet - he has made binding commitments not to. So he can provide no assurances to potential buyers that there will be a deal.

The next move will probably be for the parties to try for a truce. Mr Arnault will produce numbers to demonstrate the benefits of bringing MH to the deal and at the right price GMG shareholders would agree. With his shareholdings and legal threats to the merger, he could even expect a sweet deal just to keep quiet. But unless Mr Arnault is prepared to give up on his demands for quick demergers, any talks are liable to be unfruitful.

France

A new example of accounting legerdemain - this time involving Electricity de France's balance sheet - has provided a timely reminder of the French genius for tailoring financial statements to suit requirements. The state-owned electricity company is set to conjure a tripling of its capital and reserves simply by assuming unequivocal ownership of an electricity grid the government says it owns anyway.

With crunch time for Euro approaching, such manipulative panache raises a broader question: if these schemes are so effortless, can it really be so hard to find a way of shaving between 0.1 and 0.3 percentage points off France's 1997 public deficit to ensure it meets the strict Maastricht criterion for monetary union?

Of course it may be that ministers who recently unveiled measures to cut the expected deficit from a projected 3.5-3.7 per cent of GDP to more like 3.1-3.3 per cent

Old Mutual

South Africa's business scene suffers from too few people wielding too much power. But the situation is changing fast. First the mining conglomerates started to unbundle. Now the demutualisation bandwagon is starting to roll. Sanlam was first off the blocks, but it has been upstaged by rival Old Mutual's decision to go for a listing. This may represent an enormous vote face, but it is no less welcome for that.

For Old Mutual the move is logical. It is so large in South Africa that its future must lie abroad. It has made some progress already, but without a listing, and an international one at that, its scope for expansion is inevitably constrained. Its management and investment record may be stodgy, but it is at least unlikely to rush abroad and spend foolishly.

The real importance of the move, however, lies at home. Popular capi-

Great-West poised to win London Insurance

By Scott Morrison in Vancouver

Great-West Lifeco, the Canadian insurance holding company, is expected to succeed in its \$2.9bn (US\$2.1bn) bid to acquire London Insurance Group, after the Royal Bank of Canada opted not to increase a \$2.4bn offer.

Great-West, with earnings of \$289m last year, surprised industry watchers last week with its competing bid for London Insurance, Canada's biggest underwriter of individual life policies.

Barring another bid, the acquisition will raise Great-West, controlled by financier Paul Desmarais' Power Financial, from third position to become the largest insurance group in Canada. If regulators approve the deal, the insurer will have on-balance sheet assets of \$352.8bn and total revenue of \$31.6bn. Its group life and health

Deal would create largest insurance group in Canada

assets would be complemented by London's individual life insurance and small company accounts. Great-West could share systems and procedures with London Life, creating efficiencies that would not be matched by the bank.

John Cleghorn, Royal Bank chief executive, said shareholders' interests would not be served by increasing the bank's offer, announced seven weeks ago. "Our plans for London Life were revenue driven and would not have produced the cost synergies necessary to make a higher bid economical," Mr Cleghorn said.

Under the terms of Royal Bank's offer, the bank will

receive a \$670m termination fee from London Life, which has announced it is supporting Great-West's bid. The bank said it would continue to look for acquisitions in the industry.

A decade of deregulation has led to a shake-up in Canada's financial sector as banks have acquired investment banks and trust and loan companies.

Investors Group, Canada's leading personal financial services company and Great-West's sister company, has said it will participate in the transaction by acquiring up to 10 per cent, or \$360m, of Great-West's common equity.

The transactions are conditional on Great-West acquiring at least 90 per cent of all the outstanding London Insurance Group common shares. The acquisition, to be financed from Great-West's cash resources and the issue of shares, will be paid in cash, shares or a combination.

Exchange fees

Continued from Page 1

trading on its own merits, without any distortions due to price policy," the DTB said.

Life said it planned to offer guaranteed liquidity in its new Bohl contract through a "unique market maker scheme" when trading started. The exchange experimented with a Bohl contract several years ago, but had to delist it in 1993 due to lack of liquidity.

Sinn Féin meeting expected

Continued from Page 1

ceasefire on July 19. The government said it would review the position after the ceasefire had been in place for six weeks, taking into account the level of other activity such as punishment beatings.

Sinn Féin yesterday indicated that it was expecting an early meeting between Mr Adams and Mr Blair. But under the government's terms

the meeting would not take place until Sinn Féin had joined the full talks, starting on September 15, and endorsed the "Mitchell principles" on decommissioning of terrorist weapons.

The composition of the committee that will oversee arms decommissioning is expected to be announced next week following a meeting between Mr Mowlem and Ray Burke, the Irish foreign minister.

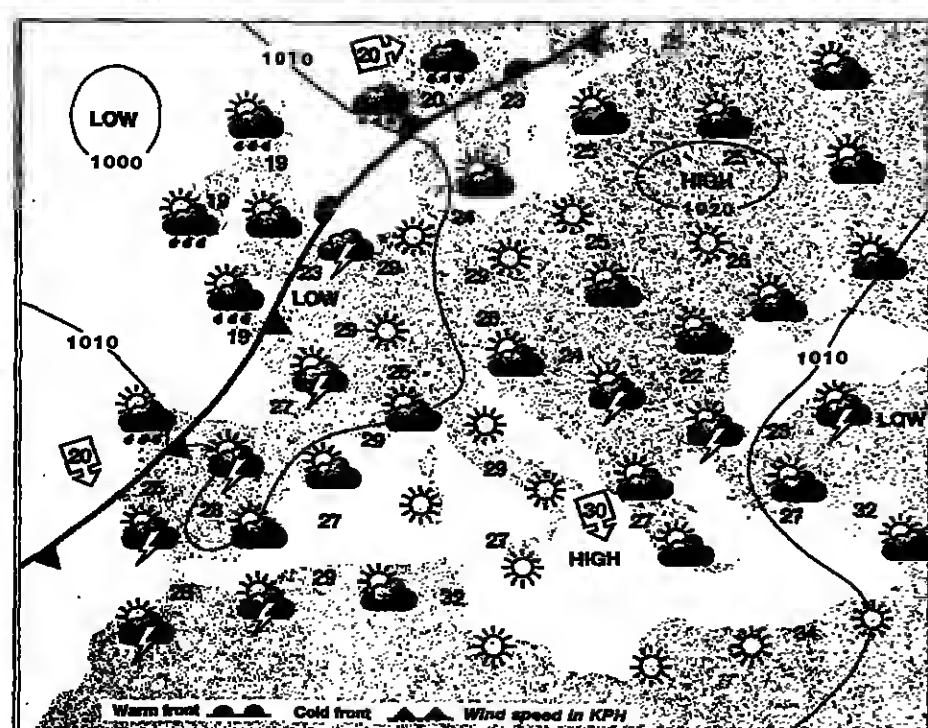
FT WEATHER GUIDE

Europe today

The central and eastern Mediterranean will be fine and hot with strong sunshine. Spain and Portugal will be more unsettled with scattered thundery downpours but southern areas should have more sun. North-west Europe will be humid and thundery with some downpours developing. Central and eastern Europe will have hot sun but isolated thunderstorms are likely over the Alps and the Balkans. Scandinavia will have heavy showers although Denmark may stay mostly fine and very warm.

Five-day forecast

The humid, thundery weather over much of western Europe will edge east to affect Germany, the Alps and northern Italy, allowing fresher weather to spread across Iberia. France and the Low Countries. Eastern Europe should stay hot with sunny spells, but thunderstorms are likely over the eastern Balkans.



TODAY'S TEMPERATURES

	Maximum	Minimum	Forecast
Abu Dhabi	Sun 40	Cloudy 29	Cloudy 27
Algiers	Thunder 27	Thunder 27	Thunder 27
Amsterdam	Fair 21	Fair 21	Fair 21
Athens	Fair 27	Fair 27	Fair 27
Atlanta	Sun 31	Sun 31	Sun 31
B. Aires	Sun 22	Sun 22	Sun 22
B. Hem	Thunder 22	Thunder 22	Thunder 22
Bangkok	Shower 36	Shower 36	Shower 36
Barcelona	Cloudy 27	Cloudy 27	Cloudy 27
Bell	Fair 33	Fair 33	Fair 33
Belfast	Shower 20	Shower 20	Shower 20
Belgrade	Cloudy 28	Cloudy 28	Cloudy 28
Berlin	Sun 31	Sun 31	Sun 31
Birmm	Fair 31	Fair 31	Fair 31
Bogota	Thunder 61	Thunder 61	Thunder 61
Bombay	Rain 30	Rain 30	Rain 30
Buenos Aires	Sun 31	Sun 31	Sun 31
Budapest	Fair 27	Fair 27	Fair 27
C. Hagan	Fair 26	Fair 26	Fair 26
Cairo	Sun 34	Sun 34	Sun 34
Cape Town	Shower 18	Shower 18	Shower 18
Cardiff	Shower 20	Shower 20	Shower 20
Casablanca	Shower 28	Shower 28	Shower 28
Chicago	Fair 28	Fair 28	Fair 28
Colombo	Thunder 61	Thunder 61	Thunder 61
Dakar	Fair 31	Fair 31	Fair 31
Dallas	Sun 35	Sun 35	Sun 35
Delhi	Rain 36	Rain 36	Rain 36
Dubai	Sun 41	Sun 41	Sun 41
Dublin	Fair 27	Fair 27	Fair 27
Dubrovnik	Fair 27	Fair 27	Fair 27
Edinburgh	Shower 16	Shower 16	Shower 16
Faro	Fair 31	Fair 31	Fair 31
Frankfurt	Sun 31	Sun 31	Sun 31
Geneva	Fair 28	Fair 28	Fair 28
Glasgow	Shower 18	Shower 18	Shower 18
Hamburg	Sun 31	Sun 31	Sun 31
Helsinki	Shower 23	Shower 23	Shower 23
Hong Kong	Sun 32	Sun 32	Sun 32
Honolulu	Fair 32	Fair 32	Fair 32
Istanbul	Thunder 22	Thunder 22	Thunder 22
Jakarta	Cloudy 32	Cloudy 32	Cloudy 32
Jersey	Thunder 19	Thunder 19	Thunder 19
Karachi	Fair 35	Fair 35	Fair 35
Kuwait	Sun 46	Sun 46	Sun 46
L. Angeles	Sun 28	Sun 28	Sun 28
Las Palmas	Sun 28	Sun 28	Sun 28
Lima	Cloudy 23	Cloudy 23	Cloudy 23
Lisbon	Sun 26	Sun 26	Sun 26
London	Thunder 24	Thunder 24	Thunder 24
Luxembourg	Sun 30	Sun 30	Sun 30
Lyon	Sun 22	Sun 22	Sun 22
Madeira	Fair 27	Fair 27	Fair 27
Madrid	Sun 31	Sun 31	Sun 31
Manila	Fair 28	Fair 28	Fair 28
Maracaibo	Shower 34	Shower 34	Shower 34
Marina	Shower 34	Shower 34	Shower 34
Melbourne	Drizzle 13	Drizzle 13	Drizzle 13
Mexico City	Shower 23	Shower 23	Shower 23
Miami	Sun 33	Sun 33	Sun 33
Milan	Thunder 29	Thunder 29	Thunder 29
Montréal	Fair 24	Fair 24	Fair 24
Moscow	Fair 26	Fair 26	Fair 26
Murich	Sun 29	Sun 29	Sun 29
Nairobi	Cloudy 27	Cloudy 27	Cloudy 27
Naples	Sun 28	Sun 28	Sun 28
Nassau	Shower 32	Shower 32	Shower 32
New York	Fair 25	Fair 25	Fair 25
Nice	Sun 28	Sun 28	Sun 28
Niissa	Sun 28	Sun 28	Sun 28
Oslo	Fair 23	Fair 23	Fair 23
Paris	Thunder 28	Thunder 28	Thunder 28
Perth	Sun 21	Sun 21	Sun 21
Prague	Sun 29	Sun 29	Sun 29
Rangoon	Shower 28	Shower 28	Shower 28
Reykjavik	Cloudy 13	Cloudy 13	Cloudy 13
Rio	Fair 24	Fair 24	Fair 24
Rome	Sun 29	Sun 29	Sun 29
S. Francisco	Fair 23	Fair 23	Fair 23
Seoul	Fair 30	Fair 30	Fair 30
Singapore	Thunder 30	Thunder 30	Thunder 30
Stockholm	Fair 28	Fair 28	Fair 28
Sydney	Fair 32	Fair 32	Fair 32
Taipei	Fair 18	Fair 18	Fair 18
Tangier	Shower 26	Shower 26	Shower 26
Tel Aviv	Fair 31	Fair 31	Fair 31
Tokyo	Shower 28	Shower 28	Shower 28
Toronto	Shower 22	Shower 22	Shower 22
Vancouver	Fair 21	Fair 21	Fair 21
Venice	Sun 27	Sun 27	Sun 27
Vina	Fair 28	Fair 28	Fair 28
Warsaw	Cloudy 28	Cloudy 28	Cloudy 28
Washington	Fair 28	Fair 28	Fair 28
Wellington	Shower 12	Shower 12	Shower 12
Winnipeg	Rain 26	Rain 26	Rain 26
Zurich	Fair 28	Fair 28	Fair 28

Our service starts long before take-off.
Lufthansa

THE KENYA POWER COMPANY LIMITED OLKARIA II GEOTHERMAL POWER PLANT REQUEST FOR EXPRESSION OF INTEREST FOR ENGINEERING SERVICES CREDIT NUMBER 2966-KE

- This Request for Expression of Interest follows the general procurement notice for the Olkaria II Geothermal Power Project (the project) that appeared in the Development Business of January 16, 1997.
- The Government of Kenya has received a credit from the International Development Association (hereinafter referred to as the IDA) to be onlent to The Kenya Power Company Limited (hereinafter referred to as the KPC). KPC intends to apply proceeds of this credit to eligible payments under a contract for Engineering Services (the Services) for the Project for which Request for Proposals is to be issued.
- The KPC intends to short list firms for the Services which will include: (i) preparation of a Pre-Bid Meeting for the clarification of tenders to prospective tenderers; (ii) bid evaluation and assistance in negotiations for contract award; (iii) supervision of construction and of manufacturing of electromechanical plant and equipment; (iv) co-ordination of various contracts to ensure timely and smooth implementation of the Project; (v) testing and commissioning; and (vi) assistance during plant operation up to the end of the warranty period. The Services are estimated to require 4 years after contract award.
- The Project shall be located at Olkaria near Naivasha, 100 km from Nairobi and 5 km from the existing 45 MW Olkaria I Power Plant. The Station will have two 32 MW steam turbine generators with a total capacity of 64 MW. The output of the Station will feed the grid via a 220 KV line to be constructed to Nairobi. Steam for Olkaria II Station will be produced from 25 already drilled production wells. Five contract packages have been developed to cover: (i) the construction of the power house; (ii) the supply and installation of steam turbines and generators with ancillary equipment; (iii) step up (at the Station) and step down (in Nairobi) transformation substations; (iv) construction of a 220 KV line; and (v) the steam gathering system.
- Specifications and tender documents for these contracts have been prepared. Outline design for the civil works and design for the steam gathering system are also ready. Electrical and mechanical contracts will be on design, supply and install basis.
- KPC is hereby requesting interested firms domiciled in the member countries of the World Bank Group to provide information indicating that they are qualified to perform the Services. Consultants may associate to enhance their qualifications. Selection of Consultants will be in accordance with the procedures set out in World Bank's Guidelines: Selection and Employment of Consultants by World Bank Borrowers, January 1997. To be short list, the Consulting Firm or the Consortium of Consulting Firms shall:
 - demonstrate adequate technical knowledge, availability of appropriate skills among staff, experience - specifically in the development, engineering and operation of geothermal power plants with the associated electromechanical plant and equipment - to carry out the Services required for the Project;
 - indicate relevant experience abroad, including developing countries, in the supervision, detail design, management and operation of similar projects;
 - provide specific experience in the development of geothermal steam fields; and
 - provide a brief outline on the approach for the management of the Services for the proposed Project.
- Interested firms seeking clarifications on the Services should write to the Corporate Planning Manager, The Kenya Power Company Limited, Stima Plaza, P.O. Box 47936, Nairobi, Kenya (Telephone 254-2 741181/9 Ext. 4601. FAX 254-2 337351. The complete request information should be sent to:
The Company Secretary
The Kenya Power Company Limited
Stima Plaza, Kolobot Road
P.O. BOX 47936
NAIROBI
KENYA
not later than Monday, 6th October, 1997.
- Firms who are short listed will be notified in writing.

J.N. KIMANI
COMPANY SECRETARY

دكتور من الأصيل



FINANCIAL TIMES COMPANIES & MARKETS

Monday August 25 1997

Week 35



INSIDE

SKF chief eyes up south-east Asia



SKF, the Swedish company that is the world's biggest maker of industrial rolling bearings, will be 100 years old in 2007, and Peter Augustsson (left), chief executive, intends to be in place to lead the celebrations. His plans for SKF include stepping up investments in growth markets outside Europe, particularly in south-east Asia. SKF shares have underperformed by about 20 per cent in the past two years. Page 17

GLOBAL INVESTOR

Bond ratings tested
A study suggests junk bonds display a far higher default rate after 15 years than issues originally rated CAA or above, raising the question of whether the higher yields of low-rated paper compensate for the higher risks. Page 20

INTERNATIONAL EQUITIES

Brazil keeps investors waiting
International offers are rare in Brazil, so investors are looking with interest at government plans to sell large minority stakes in two recent years of its privatisation programme: Companhia Vale do Rio Doce (CVRD), the mining group, and Light, the Rio de Janeiro electricity company, privatised a year earlier. Page 18

INTERNATIONAL BONDS

No summer respite for Treasuries
Analysts say there has been a sharp increase in the summer Treasury volume, and this rise in activity is one of the key factors separating this Treasury market from previous years. Page 20

MARKETS THIS WEEK

New York

Sharp swings recently reflect market nervousness about how much longer the bull run can continue. Investors feel it is only a matter of time before things deteriorate.

London

The main worry for gilts and equities might come from bond markets, which showed signs of cracking last week.

Frankfurt

Expectations of an early rise in a key Bundesbank interest rate have risen with news of higher import prices as a result of the strong dollar.

Tokyo

Bonds and equities are expected to stay on contrasting paths with government bonds continuing their record-breaking run while the equity market languishes.

Paris

French shares will track the currency markets and the Bundesbank for clues to the next move in German interest rates. Page 19

CURRENCIES

Bundesbank keeps up guessing game
Since July, the Bundesbank's council has threatened to switch from a fixed to a variable rate repo, under which, traders believe, rates would creep up from their current 3.0 per cent, enough to buoy up the D-Mark. It renewed its threat on Thursday. Page 19

EMERGING MARKETS

A breather for Indian bulls
After a summer bull run, the Bombay stock exchange seems to be heading for a period of volatility, as uncertainty over a rupee depreciation and a rise in the price of petroleum products dampen investors' enthusiasm. Page 20

FT GUIDE TO THE WEEK

— full listings Page 30



the event has been held outside Asia.
BONN-PARIS MEETING
European monetary union will be the focus of a meeting on Thursday in Bonn between Helmut Kohl, German chancellor, and Lionel Jospin, the French prime minister.
SHOW JUMPING
The European show jumping championships are in Mannheim, Germany, from Wednesday.

Companies in this issue

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Fierce competition cuts value of insurance investment trusts

Lloyd's spread funds hit by fear of falling profits

By Christopher Adams, Insurance Correspondent

Specialist funds which back insurance syndicates at Lloyd's of London, the specialist international insurance market, have fallen out of favour with stock market investors despite bumper profits this year. Analysts fear returns will diminish rapidly amid fierce competition in global insurance.

Recent weeks have witnessed a sudden decline in the value of shares in Lloyd's spread funds relative to the stock market. Some investment trusts have fallen by as much as 18 per cent since the beginning of August.

Analysts said that disillusion with the prospects for Lloyd's is weighing on share prices. "All the bad habits in the insurance industry are back: rate cutting, excess capital, people trying to write business cheaply and laying it off even more cheaply to others," said Chris Hitchens of UBS.

Many of the trusts investing in Lloyd's syndicates, the small businesses run by underwriters which make up the centuries-old insurance mar-

ket, were set up soon after Lloyd's opened its doors to corporate capital in 1993. Insurance markets were booming and the investment trusts' shares rose with expectations of large dividends from underwriting activities. When it became clear last year that Lloyd's would succeed with a recovery plan to reinsure crippling liabilities from earlier years, the spread funds climbed further.

Lloyd's, which reports three years in arrears, announced profits of £1.1bn (£1.79bn) in June, its second most profitable year ever. But its results were accompanied by a warning that profits were expected to fall to £500m in 1998 and even further this year.

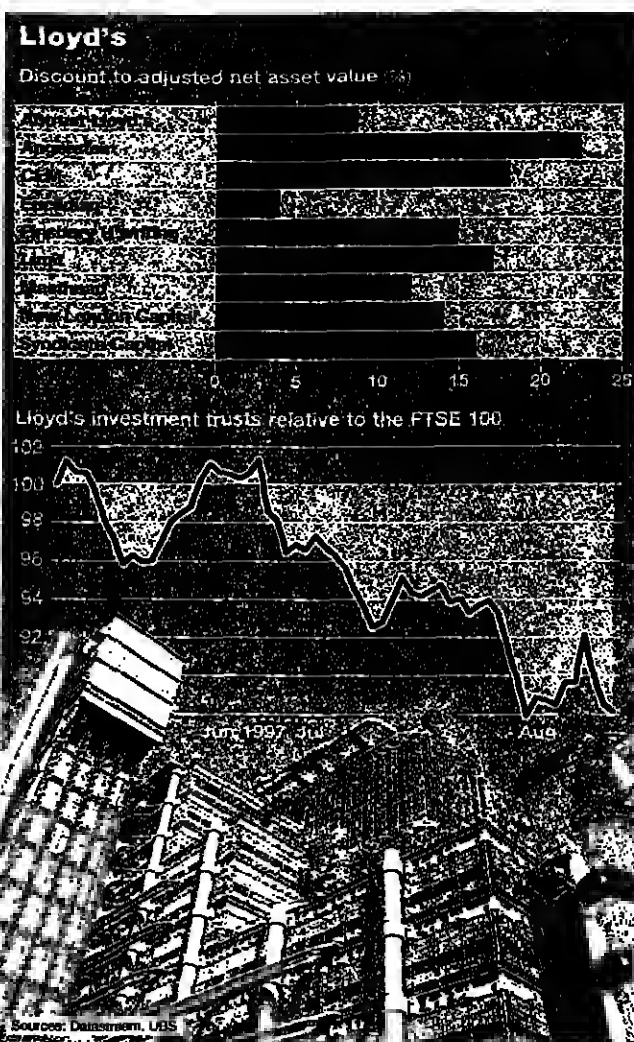
It is not only the poor outlook that has depressed share prices. The spread funds are fighting a battle for "capacity" — the right to support business on Lloyd's syndicates — which analysts say they could lose.

The struggle centres on efforts by the underwriting agents who control syndicates to buy capacity from Names. Some have linked with dedicated corporate investors, giving them more financial clout.

"The spread funds are being edged out," said Mr Hitchens. Also, many managing agents are trying to raise profit, commissions and fees sharply this year, some say in a bid to make Names accept their offers to buy capacity. This threatens to erode the returns from spread funds and Names from underwriting at Lloyd's.

The underperformance of the investment trusts may be exaggerated by several going ex-dividend. Many investors considering selling shares wait to receive the annual payout before disposing of stock.

Looking at the share price alone can also be misleading since most spread funds have significant holdings in bond markets rather than equities and the recent bull run in shares has outpaced returns from other investments.



For Lloyd's Names, individuals whose personal assets have traditionally supported the insurance market, this raises existing investment trusts are the only benchmarks they can use for deciding whether to switch from being sole traders with unlimited liability to investors in new conversion schemes offering limited liability and a listing on the stock market.

Revolution spreads to British fish paste

By Jane Martinson in London

A new management team has taken charge of Shippam, a 247-year-old UK manufacturer of fish paste for flavouring sandwiches which has been regarded as a cultural icon by generations of Britons. In a drive to revitalise the company, founded in the south-coast town of Chichester in 1750 by a Mrs Shippam, the new bosses are launching a range of products targeting a new generation of youngsters.

These include Sassy Salmon spread and foodstuffs based upon baked beans and other contemporary favourites.

For a company that has survived since the days when the US was a British colony, the new strategy amounts to a revolution.

Details of the plans emerged yesterday after the takeover of the Chichester-based company for a reported £15m. It is being sold by Grand Metropolitan, the UK-based food and drink group that is merging with Guinness. Within GrandMet, Shippam has been overshadowed by brands such as Burger King, Haagen-Dazs and Pillsbury.

Between 70 and 80 jobs are set to be lost from the 450-strong workforce following the deal, which was backed by NatWest Ventures.

Mr Steven Joseph, the new executive chairman, thinks the company will provide a suitable base for expansion. The new range of spreads will provide organic growth, he believes. Mr Joseph aims to use the group's brand name to market a range of new fillings and to expand the company's canned-chicken and ready-meal operations.

He intends to increase sales from less than £30m in the year to September to between £100m and £200m a year to the next two or three years. Most of this growth will come from acquisitions in related food sectors.

His plans recognise the need not to alienate the older people who remember the "old-fashioned" fish pasta with fondness. "Everybody remembers it," he says. "It's got the most wonderful brand name, but people think it's four or five times bigger."

In the year to September Shippam made operating profits of less than £3m on sales of just under £30m, he said. At its peak about three years ago the company was making a £5m profit on sales of £40m-£45m. These figures included parts of the business which are now separate.

CCT Telecom targets China

HK\$2bn rights issue to fund expansion on the mainland

By John Ridding in Hong Kong

CCT Telecom, the fast-growing Hong Kong-based telecommunications equipment manufacturer, is to raise HK\$2.01bn (US\$258m) through a rights issue to fund expansion in mainland China.

The move follows last month's strategic alliance with Xinhua, China's state news agency. The alliance, in which a Xinhua subsidiary bought a 2.5 per cent stake in CCT Telecom, signalled influential mainland backing for the Hong Kong company and marked a further step in the increased business activities of mainland political institutions.

Kwan Bankee, managing director of CCT Telecom, said the rights issue reflected the company's intention to capitalise on rapid telecommunications growth in China. "We are already in preliminary negotiations for several potential projects and are confident that these projects will be crystallised in the near future," he said.

According to CCT Telecom, about HK\$900m of the proceeds will be used to set up joint venture companies in mainland China to manufacture telecoms products and develop GSM mobile telephone networks. A further HK\$250m is earmarked for buying stakes

in Asian companies which manufacture components used by CCT Telecom.

Of the balance, HK\$200m will be invested in research and development of mobile telephone operations, while HK\$100m will go to setting up marketing and distribution networks in China.

At present, CCT Telecom has a large manufacturing plant in Guangdong province, southern China, and exports most of its products to Europe and the US. However, company officials cite the rapid expansion of the Chinese telecommunications sector, one of the priorities of the present five-year plan, as its most

important source of future growth. Under the five-year plan to 2000, China aims to add about 64m new subscribers to the 41m as of mid-1996, excluding mobile customers. The plan also aims to double exchange capacity to 170m lines.

The one-for-one rights issue is priced at HK\$1.00 per share, compared with HK\$2.85 at which shares in CCT Telecom were suspended last week. The issue is managed by Citicorp International and co-managed by Kingsway SW Securities. They are joined as underwriters by Yamaichi International, J&A Securities, and Peregrine Capital.

Securities deal raises \$250m for Pakistani group

By Vincent Boland in London

Pakistan Telecommunication Co (PTCL) has raised \$250m by selling the rights to existing and future revenues from six international carriers for the use of its lines on long-distance calls into the country.

The novel transaction is Pakistan's first securitisation and the first such deal to involve multiple carriers from different countries, according to the arranging banks. The securities have been given an investment grade rating of BBB- from Standard & Poor's and Duff & Phelps Credit Rating.

The structure of the transaction means that the revenues PTCL would have received for the next seven years will be paid into a US trust. This trust will make quarterly payments to the investors that underwrote the securitisation, mainly US and Asian institutions.

The six international carriers participating are AT&T, Sprint, MCI, British Telecommunications, Mercury Communications and Deutsche Telekom. There are an estimated six times as many incoming calls to Pakistan as there are outgoing calls.

The securities, which have an expected maturity of six years and an average life of 3.8 years, were priced at 225 basis points over the relevant US Treasury rate. They were placed by ABN Amro and Citicorp Securities, and demand raised the transaction from an initial \$175m.

Chris Busbee, vice president

at Citicorp Securities, said the fact that the securities had been given an investment grade rating meant PTCL was given access to money much more cheaply. "PTCL could come nowhere close to getting that kind of spread otherwise. It is debatable it could raise that amount of money beyond two years," he said.

It also gave the company access to "a new and very powerful investor base" that included US insurance companies and Japanese institutions. For the investors, the structure of the transaction avoided currency risk, since payments will be in US dollars, and provided "very good solid payments coming in from highly rated companies". That factor eliminated sovereign risk from the transaction, he said.

Securitisation deals are rare in Asia. However, the fact that the PTCL deal is the first "future flow" securitisation to be rated investment grade should spark more interest in the region.

Some recent transactions involving Japanese banks, which have seen non-performing loans turned into asset-backed securities and sold in London, suggest it is gaining currency in some quarters.

Yokohama Bank, Bank of Tokyo-Mitsubishi and Sumitomo Bank have launched asset-backed securitisation deals in the past two months to reduce their risk-weighted assets.

Mr Busbee said there was "a tremendous opportunity" in emerging markets in Asia and eastern Europe for this type of transaction.

Ex-Burton chief in running for WH Smith

By Jane Martinson in London

Stuart Rose, the former Burton Group director, has emerged as the leading outside candidate to head WH Smith, the retailer which suffered the surprise resignation of its chief executive in June.

Mr Rose resigned as chief executive of Burton subsidiaries Burtons, Dorothy Perkins, Evans and IS last month after three years in the job.

The news comes as the company confirmed that Keith Hamill, the finance director, who many considered to be the leading internal candidate, had pulled out of the contest.

WH Smith said yesterday that Mr Hamill, who has been associated with potential break-up plans for the company in recent weeks, told Jeremy Hardie, the chairman, that he did not want to be considered for the job as long ago as last month.

The group denied that Mr Hamill intended to leave the company when a replacement for Bill Cockburn, the former chief executive, is found.

A nominations committee is expected to meet shortly, possibly this week. The committee — which includes Martin Taylor, chief executive of Barclays, and Marjorie Scardino, head of Pearson, which owns the Financial Times — is to agree a preferred candidate before making a recommendation to the board.

Three existing directors have also been considered: Richard Handover, managing director of news distribution and a company veteran of 27 years; John Hancock, chief executive of the US division; and Alan Giles, managing director of Waterstone's, the book retailer.

The new chief executive will take office amid mounting investor concern about the group's performance, and suggestions that it could be broken up.

This year, Mr Cockburn declined an offer by Virgin, which owns 25 per cent of WH Smith's Virgin and Our Price record stores, to buy the remaining 75 per cent. On Wednesday, WH Smith is expected to report pre-tax profits of about £125m (\$203.75m) on sales of £2.75bn for the year to May 31. This compares with losses of £194.7m in 1996 on turnover of £2.185bn.

More questions. Page 16

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COMPANIES AND FINANCE

Minerva sells prime site for £33m cash and three central London properties

Pru pays £105m for showcase office

By Gary Mead

Prudential Corporation, the pensions and life insurance group, is escaping from its high-contrast contract with property group Minerva for its showcase office on Euston Road in London by buying the building for £105m (£171m).

The consideration comprises £33.3m cash and the

transfer to Minerva of three central London office properties - independently valued at £71.7m - from Prudential's property portfolio.

Minerva, which paid £58m in 1989 for the 160,000 sq ft site, receives annual rent of £6.4m from Prudential under a 107-year lease. That equals £40.66 a sq ft, matching rentals often paid in the City of London.

Two of the properties Minerva is acquiring - Sampson House, at 64 Hop-ton Street, SE1, and Chatham Place, on East Harding Street, EC4 - are fully let. Their annual rental income is £4.8m, of which £4.1m is payable by Lloyd's Bank on a lease with 106 years to run. The lease is next subject to review in December 1999.

The third site - at Wigmore Street and Welbeck Way in the West End - has planning permission for offices, with a floor area of about 43,000 sq ft. Of the three, Sampson House, with 2.5 acres of adjacent freehold land and 590 ft of river frontage, is by far the most valuable, at more than £56m.

Mr Andrew Rosenfeld, Minerva's chief executive, said yesterday he was confident of achieving rent for the West End site of at least £35 a sq ft. This would yield in excess of £15m annually, so Minerva could end up with total rents only fractionally less than it was receiving from the Euston Road site.

Mr Rosenfeld, although "exhausted" by the deal, which was negotiated over nine months, was ebullient. "When we floated there was some scepticism as to possible future growth, but by doing this we have radically changed the profile of the company, by exchanging a building that represented a quarter of our assets for a combination of cash and other property, thus broadening the basis for Minerva's development."

More questions than answers at WH Smith

WH Smith may be famous for delivering the news, but shareholders are unlikely to receive answers to the most pressing questions when the retailer reports annual results on Wednesday.

Who is going to be the new chief executive? Is the company about to be broken up? Is the Virgin/Our Price record chain going to be sold? Will finance director Keith Hamill stay on even though the company says he has pulled out of the running for the top job?

Mr Hamill and Jeremy Hardie, chairman, who will present the results, are unlikely to provide ready answers.

The search for a new chief executive, after the surprise resignation of Bill Cockburn in June, looks set to rumble on for weeks. All the candidates - three internal and five external - have been interviewed and a short list drawn up.

Meanwhile, analysts have been working overtime with their calculators amid reports last week that investors - restless over the poor performance of its share - had asked Mr Hamill to consider breaking the group up. This was followed by news that Smith had been in talks to sell its 75 per cent stake in Virgin/Our Price to Virgin, but could not agree a price.

Smith's US record chain, The Wall, is also up for sale. Break-up valuations ranging from £1.25bn to £1.47bn have been produced, compared with a Smith market capitalisation stuck at little more than £1bn.

Christopher Price looks at the uncertainty surrounding the UK retailer's future

The backdrop to the break-up talk is the struggle between rival camps supporting different directors for the chief executive's post. The plan to put parts of the group up for sale is said to have been canvassed by a senior director as part of his leadership campaign.

Such internal wranglings and debates about group strategy raise crucial questions over the management of one of the UK's most famous retailers. In particular, analysts have begun to query Mr Hardie's handling of affairs.

It also begs the question as to whether the new chief executive can restore good relations between the rival factions and morale to the rest of the group.

Certainly, the winning candidate's job has not been made easy by the legacy of Mr Cockburn's brief but tumultuous tenure. Brought in from the Post Office with no experience of running a retailer or public company, Mr Cockburn cut a swathe through Smith's hierarchy.

During his 18 months in the post, three executive directors left amid a raft of senior management changes. Noses were put further out of joint by Mr Cockburn's strategic review, which led to the sale of the office stationery business, the group's exit from DIY and a restructuring of the company. Smith

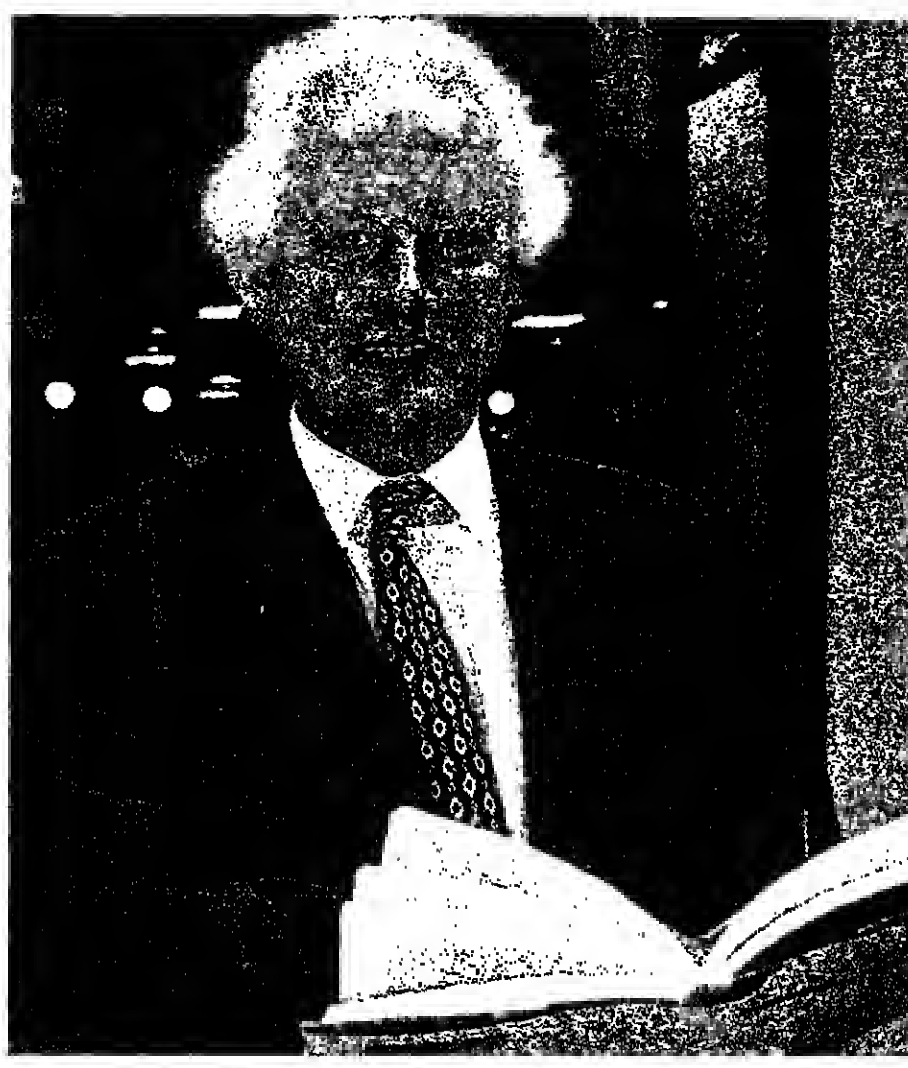
subsequently reported its first annual losses in 204 years of trading.

However, the changes wrought by Mr Cockburn have done little to alter perceptions of the group's business, with Waterstone's and the wholesale division seen as the stars, and the high street business and Virgin/Our Price as duller performers.

Mr Cockburn's brusque management style was also not always popular. This was exacerbated by him being based at Smith's London headquarters with Mr Hamill, while the rest of the group's management were located elsewhere.

Given this background, it is perhaps not surprising that Richard Handover, head of the wholesale operation, and a Smith veteran of 27 years, has emerged as a strong internal candidate. Mr Hamill, Alan Giles, managing director of Waterstone's, and John Hancock, head of Smith's US business, are the others.

Meanwhile, Smith is expected to report pre-tax profits of about £125m on sales of £2.75bn for the year to May 31. This compares with losses of £194.7m on turnover of £2.68bn. Waterstone's is predicted to increase profits by 24 per cent to £12m. The retail business is expected to be up 22 per cent to £56m. Forecasts



Opening a book: Jeremy Hardie is still looking for a new chief executive

for Our Price, however, are £12m compared with £16m. The wholesale business is forecast to report £42m

(£31m), and the US could fall to £10.5m (£11.3m). While analysts and investors will digest the results

details with interest, they will have to wait for the delivery of the most eagerly sought news.

Supermarkets supported on brand-name pricing

By Christopher Brown-Humes

The UK government yesterday promised "a sympathetic bearing" for supermarkets battling to end price-fixing on brand-name products.

It is further evidence of Labour's pro-consumer stance and follows Tesco's decision last week to sell a range of Adidas sportswear at discounted prices, against the German company's wishes.

Nigel Griffiths, consumer

affairs minister, welcomed the Tesco move and told supermarkets he is prepared to take further action. "If companies want to ask the government for assistance they will certainly get a sympathetic bearing," the Department of Trade and Industry said.

Price-fixing has been discussed in meetings between Mr Griffiths and senior executives from Tesco, J Sainsbury, Asda, Sainsbury and the British Retail Consortium.

The retailers have wel-

comed his "positive tone". Asda said yesterday it would like "an overall investigation by the Office of Fair Trading into areas of price fixing and restricted distribution by major brands."

It wants to sell top brand perfumes and skincare brands such as Chanel, Clinique, Christian Dior and Clinique, but has been thwarted by the manufacturers who say supermarkets are not the right environment and lack the expertise to sell them.

Move to debt finance could spark £100bn of buy-backs

By Philip Coggen, Markets Editor

British companies could buy back £100bn of their own shares over the next few years as they switch from equity to debt finance, according to research released today. Such a change would seriously dent government revenues.

Union Bank of Switzerland argues in a report that the recent abolition of the dividend tax credit will encourage UK companies, like their US and continen-

tal European counterparts, to use more debt finance.

UK companies have gearing - net debt as a proportion of equity - of just 30 per cent, compared with more than 60 per cent in the US and continental Europe.

Mark Tinker, the report's author, argues: "The main reason for the bias in favour of equity over debt has been the tax system, which has given a subsidy to providers of equity capital via the advance corporation tax system."

Until the Budget, tax-exempt investors such as pension funds could reclaim part of the corporation tax paid by companies.

The effect was to turn a net 8p dividend into a gross distribution amounting to 10p.

Now that this system has been abolished, UBS believes companies will focus on the effect of tax on their finances. UK tax rules allow interest payments, but not dividends, to be offset against corporation tax.

NEWS DIGEST

Xaar plans up to £12m flotation

Xaar, a UK company which specialises in developing and licensing new technology for ink jet printing, plans to raise between £10m and £12m (£19.8m) of new finance in a flotation this autumn.

Graham Wylie, chief executive since 1993, said yesterday that final details of the flotation had yet to be confirmed.

However, Nomura International will be sponsor and lead manager for the placing, and Grieg Middleton has been appointed placing agent. Market capitalisation at the issue price is expected to be more than £60m.

Xaar, based in the Cambridge Science Park, was formed in 1990. Two directors, Steve Temple and Mark Shepherd, have had a leading role in the development of ink jet printing technology.

The company's business has primarily been obtaining licence and royalty fees from the sale of its technology, and the manufacture of print heads for specialised commercial applications.

The venture capital companies Prelude Technology and Si currently hold 50 per cent of the equity, the management 2.5 per cent, and the rest is divided between other venture capital companies and institutions.

Mr Wylie, who was originally finance director, said that Xaar's customers included "several household Japanese brand names, as well as Nu-Kote, a Nasdaq-listed Dallas-based company, and Zeneca."

Gary Mead

Dean aims for main market

Dean Corporation, the property services group traded on Aim, is preparing to list on the main market next month. The company, which will file its application for a listing in the next few weeks, hopes to raise about £3m. A third of this will be used to pay the deferred consideration for last year's acquisition of H Page Engineering Services, the environmental and building services supplier, while another £1m will be used to buy residential land for its home-building business.

Stephen Dean, chairman, believes the move to the main market will help the company's fund-raising ambitions - something its Aim listing in 1995 has failed to achieve. "Aim has been a disappointment to us. We haven't raised a penny since we listed," he said.

Mr Dean said part of the funds raised next month would be placed in a "war chest" to fund future acquisitions. The company was looking to buy a company in the property services sector, he said.

The company's pubs and restaurant division is benefiting from the recent rash of pub refurbishments by breweries, while its maintenance division is enjoying orders from local authorities. Fiske, the house broker, forecasts pre-tax profits will rise more than 50 per cent this year to £1.4m-£1.5m and earnings per share will increase 20 per cent to 2p.

Calidore shares suspended

Shares in Calidore, the UK equity capital provider which floated on Aim in February, were suspended last Friday at 3.4p pending approval of the reverse takeover of Keystone Solutions, a computer software company which operates in the UK and New Zealand.

The initial consideration is £2.58m, comprising £580,000 cash and £3m in shares, with further profit-related payments over the next three years.

Calidore - which will change its name to Keystone Software - is proposing to consolidate its ordinary shares on a 1-for-20 basis; shares to be issued as part of the consideration have been credited at 70p, equivalent to a pre-consolidation price of 3.4p.

Calidore has also placed new shares at 80p - equivalent to a pre-consolidation price of 4.4p - to raise £1.5m to fund development.

GRAYSTONE has appointed Bob Wickham, currently a non-executive director, to succeed Dick Richardson, who has resigned as non-executive chairman.

JONES & SHIPMAN has bought an 80 per cent stake in Edgetek, a super-abrasive machine maker based in Connecticut, for £3.3m (£1.41m), £2m in cash and the balance as loan notes. The company has an option to acquire the remaining 20 per cent on or after August 21 2000.

SARACEN VALUE Trust is considering a number of approaches which may lead to an offer being made for it. HSBC has not submitted improved proposals as requested by the Saracen board.

TINSLEY ROBOB is acquiring Pinpoint, a pre-press company, for a maximum £2.7m cash, with £1.7m payable on completion and the balance profit-related.

TOY OPTIONS is to change its name to The Character Group as part of its strategy of diversifying into non-toy products.

ZENECA AGROCHEMICALS has sold its Devirrol herbicide business outside North America and Japan to United Phosphorus.

TO THE HOLDERS OF
OLYMPIA & YORK MAIDEN LANE FINANCE CORP.
10 3/4% Secured Notes Due 1995NOTICE OF EXECUTION OF AGREEMENT
IN PRINCIPLE WITH HOME INSURANCE COMPANY

On August 1, 1997, The Home Insurance Company ("Home"), Marine Midland Bank, as Successor Indenture Trustee (the "Trustee"), RBS, as Successor Trustee for Olympia & York Maiden Lane Finance Corp. ("O&Y"), entered into an agreement in principle (the "Settlement Agreement") to settle the lawsuit between Home, O&Y Maiden and the Trustee which is pending in the New York State Supreme Court for New York County.

Home originally brought the lawsuit to obtain injunctive relief against O&Y Maiden to prevent it from terminating Home's lease pursuant to default notices sent by the Trustee and O&Y Maiden. O&Y Maiden and the Trustee counter-claimed against Home for past due rent which, as of the date of the Settlement Agreement, exceeded \$40 million.

The principal terms of the Settlement Agreement are:

Home has paid into escrow \$48,850,000 with Stroock & Stroock & Lavan LLP (the "Escrow Committee") to hold in escrow until the parties formally close the transaction (the "Closing"), which is presently expected to take place on or before December 31, 1997. The funds will be invested in Treasury securities until the Closing. The funds held in escrow (together with accrued interest) will be released to the Trustee at the Closing.

Home has consented to the irrevocable release to the Trustee of all funds currently held by Albert Sonag, the temporary Receiver of rents appointed by Judge Ryn. Home has previously deposited approximately \$10.7 million with the Receiver which will be paid to the Trustee, together with accrued interest less any fees and expenses of the Receiver allowed by the Court. The Trustee is seeking the immediate release of these funds from the Court.

Home will assign to the Trustee all of its right, title and interest in the leasehold premises (the "Leasehold") and will enter into a new lease with O&Y Maiden covering the term June 1, 1997 through December 31, 2000. Under the new lease, Home will occupy approximately 271,000 square feet through December 31, 1997; 196,000 square feet from January 1, 1998 through December 31, 1999; and 147,000 square feet from January 1, 2000 through December 31, 2000. Home will pay rent at \$25.00 per square foot through December 31, 1997; \$26.00 per square foot from January 1, 1998 through December 31, 1999; and \$27.00 per square foot from January 1, 2000 through December 31, 2000.

The settlement will be structured in such a way as to preserve the right of the Trustee to continue to pursue the action commenced by the Trustee entitled Marine Midland Bank v. Zurich Insurance Company, Center Reinsurance International Company, Center Reinsurance Company, Risk Enterprises Management Limited, and The Home Insurance Company (the "Fraudulent Conveyance Action") which also is pending in the New York County Supreme Court. The Trustee will seek to recover the balance of rent due under the existing lease with Home less amounts received under the above-described settlement. The defendants in the Fraudulent Conveyance Action have filed motions to dismiss the complaint, to which the Trustee has responded. The New York Supreme Court is expected to decide the dismissal motions in the Fall.

The parties to the Rent Litigation will release the claims and counterclaims asserted against each other in the Rent Litigation, but exclude from such releases the amounts the Trustee will seek to recover from the defendants in the Fraudulent Conveyance Action.

The Agreement is contingent upon, among other things, the parties' executing and delivering mutually acceptable, binding agreements incorporating the terms contained in the Settlement Agreement by no later than August 31, 1997, unless such date is extended by mutual agreement of the parties. Closing is scheduled to occur no later than December 31, 1997, absent a mutually agreed extension of time or in the event bankruptcy proceedings are commenced by or against O&Y Maiden and/or Olympia & York Maiden Lane Finance Corp. In the interim, the parties have agreed to stay the Rent Litigation.

As all of the Notes are in bearer form, the Trustee does not have a complete list of all Noteholders in order to communicate to the holders from time to time as necessary. Accordingly, we ask each holder who wishes to be added to the Trustee's list to contact Mr. Martin Casari, Vice President of Marine Midland Bank, 140 Broadway, New York, New York 10005-1150 (fax no. 212-658-6425) and indicate the holder's name, address and contact person.

The Trustee continues to work closely with the ad hoc Committee of Noteholders in effectuating the Settlement Agreement and in pursuing the Fraudulent Conveyance Action. Holders interested in communicating with the Trustee should write to Mr. Casari at the address set forth above. Counsel to the Trustee is David R. Ratner, Esq., of Kelley Drye & Warren LLP. Counsel for the ad hoc Committee and special counsel to the Trustee is Daniel Golden, Esq., of Stroock & Stroock & Lavan LLP. Holders interested in joining the Committee are urged to call either Mr. Golden (at (212) 658-6425) or Mr. Ratner (at (212) 608-7676).

Marine Midland Bank,
as Successor Trustee

August 16, 1997

The Financial Times plans to publish a Survey on

World Economy
& Finance

on Friday, September 19

This survey is published to coincide with the IMF &

World Bank meetings.

For further information, please contact:

Hannah Pursall

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COMPANIES AND FINANCE

Israel Chemicals ahead at half-year

By Avi Machlis in Jerusalem

Israel Chemicals, the export-driven chemicals group, yesterday said rapidly growing sales of more profitable products helped boost net profits by 32 per cent in the first half of 1997, in spite of flat revenues.

Net profits rose from \$39.2m in the first six months of 1996 to \$51.9m in the first half of this year. Revenues were unchanged at \$52m over the same period. The company said it would pay a total interim dividend of \$31.1m.

Revenues were flat, said Israel Chemicals, because the strong US dollar eroded the dollar value of sales in Europe and the Far East. About 90 per cent of the group's products are exported.

But Yigal Dimant, chief executive, said profits rose because of growing sales from higher-margin products, such as bromide compounds and phosphate fertilisers, which made up a larger portion of total sales.

Mr Dimant said the results reflected the successful restructuring programme, which included a

merger of two German subsidiaries.

In the second quarter, net profits climbed 23 per cent from \$24.8m last year to \$30.6m this year. Revenues increased 4 per cent from \$41.3m to \$42.8m over the same period.

Analysts said the results were in line with expectations. "These are good results," said Nir Elperin, chemicals analyst at Danot-Batucha Securities in Tel Aviv.

"Gross and operating margins are above expectations, due to good results from subsidiaries Dead Sea

Works and Dead Sea Bromide," he said.

Operating profits rose 35 per cent from \$30.8m in the first half of last year to \$109.1m.

Earlier this month, Dead Sea Works reported a 30 per cent rise in revenues for the half year, from \$189m in the first six months of 1996 to \$219m this year. Net profits were up 18 per cent from \$19.8m to \$23.2m over the same period.

Israel Chemicals also said its board had recently hired McKinsey, the international consultancy firm, to help implement a

comprehensive strategic plan for the group.

The Israeli daily Ha'aretz reported last week that part of the plan under consideration included a break-up of Dead Sea Works' main divisions into three independent components.

Israel Corporation, the holding company controlled by the Eisenberg family, holds a 42 per cent stake in Israel Chemicals and the government owns 32 per cent of the group. Some 25 per cent is traded on the Tel Aviv Stock Exchange.

NEWS DIGEST

Hicks Muse close to \$1bn radio deal

Hicks, Muse, Tate & Furst, a Texas buy-out company, was yesterday said to be close to agreeing a \$1.1bn takeover of SFX Broadcasting, a US radio company, in a deal that would turn Hicks Muse into the biggest radio station operator in the US. According to US media reports, Hicks Muse was negotiating to buy SFX for about \$1.1bn in cash plus the assumption of \$620m in debt, and the parties were hoping to announce a deal this week. On Friday, SFX's Nasdaq-quoted shares closed 3 1/4% up at \$67 1/4.

If agreed, the deal would come just days after Hicks Muse announced a big expansion of its US television interests by agreeing to buy Lin Television, an operator of eight network-affiliated television stations, for \$1.45bn in cash. SFX, which is based in New York, has 71 radio stations in markets that include Pittsburgh, Nashville, Raleigh and Jacksonville. Hicks Muse already owns 241 radio stations across the US following previous investments in the broadcasting business. The Dallas-based Hicks Muse has completed or agreed more than 100 transactions with a capital value of more than \$22bn since its formation in 1988, but has recently leaned heavily towards investments in radio and television broadcasting.

Richard Tomkins, New York

TELECOM ITALIA

Unisource may take stake

Unisource, the telecoms joint venture of PTT Nederland, Telia of Sweden and Swiss Telecom PTT, may take a stake as part of a hard core of investors in Italy's Telecom Italia, according to the financial daily Il Sole 24 Ore. The paper, citing "authoritative sources", said the joint venture was likely to take a 1 per cent stake in Telecom Italia, ahead of its market privatisation later this year.

Government sources have said the Treasury was setting up a hard core of mostly Italian institutional and private investors for a total stake of some 15 per cent. But the names of some foreign investors have been mentioned as well, including Unisource and AT&T, the largest US telecom group, which is already a partner of Unisource, and which forged a global alliance with Telecom Italia. Foreign investors will be allowed stakes of no larger than 1 per cent, according to Il Sole, while no single company or investor will be able to hold more than 3 per cent.

Reuters, Rome

KIA RESCUE PLAN

84 more executives resign

South Korea's troubled Kia Group said 84 executives in the group voluntarily resigned yesterday in an effort to help its self-rescue plan. "Since the group was put under creditors' protection in July, a total of 104 out of 340 executives have resigned," Kia said.

In July, the group said it planned to reduce its workforce to 44,000 from about 60,000 on the completion of its restructuring plan. It then said it would also cut the number of its affiliates to five from the current 28, through sell-offs, mergers and spin-offs.

Reuters, Seoul

Rabobank lifted by broking

By Gordon Cramb in Amsterdam

Rabobank, the Dutch co-operative banking group, nearly doubled its securities broking income to \$130m (\$156m) in the first half of 1997. It also benefited from the forged with Robeco, the asset management company.

Interim net profits rose 16.5 per cent to \$194m, buoyed by a 43.3 per cent boost in net commission income to \$189m. Interest income, reflecting its traditional operations rooted in rural industries, was up 9.5 per cent at \$13.74m.

That was slower than the 10.9 per cent growth in the same period of 1996, but the bank said: "For the first time after many years of no improvement, loans to the primary agricultural sector rose slightly."

But it added that "the pull which stock exchanges had on investors", together with its own deeper involvement in the equities business, was in large measure responsible for growth. Rabo has taken a half share in Rotterdam-based Robeco and has an option on the remainder. Its own securities offshoot was active in flotations.

Endesa offer for Enersis under fire

By Imogen Mark in Santiago

Endesa's \$1.5bn bid to take a controlling 29 per cent stake in Enersis, the Chile-based electricity group, is under fire from minority shareholders, who have challenged the price being offered by the Spanish group.

The deal is also threatened by a rival bid for one of the five power investment companies - or Chispas - which together control Enersis.

Chile Market Services, a Chilean stockbroker, on Friday offered to acquire up to

20 per cent of Luz, one of the Chispas, at 520 pesos a share, compared with 490 pesos under the Endesa offer. Endesa has set itself a target of buying 50 per cent of Luz's A shares, or common stock, and two-thirds of the stock in the four other Chispas.

Santander Merchant, adviser to Endesa, says it has firm agreements to buy 38 per cent of all the Chispas except Luz. It also has an agreement with 14 Enersis executives who hold the pri-

vately traded B shares, which would give Endesa control of the Chispas and through them 29 per cent of Enersis.

Endesa has offered to pay 220 pesos for each of the shares in the other four Chispas in the hands of non-Enersis group workers. Employees of Enersis companies will receive 260 pesos per share under the Endesa offer.

Santander Merchant on Friday warned that the rival bid for the Luz shares "endangers the success of

the entire operation".

Santander executive Alonso Moreno said: "If Endesa's requirements are met, then we go ahead. But parallel offers put these conditions in danger."

Minority shareholders in Luz claim that the real price of their shares is closer to 350 pesos, the market value of Enersis.

"If this was happening in New York or London every analyst in town would be out with research the day after the tender was made, so shareholders would get an

informed independent opinion on the offer," said Mr Larry Abraham, a US fund manager who is leading a minority shareholder committee.

"But right now, the shareholders don't even get to compare apples and oranges - it's apples or nothing."

The shareholders' group has said it wants to convene extraordinary meetings of each of the other Chispas to consider outright sales of the companies' stakes in Enersis on the Santiago Stock Exchange.

Petronas buys stake in shipping group

By James Kynge in Kuala Lumpur

Petronas, Malaysia's national oil and gas corporation, said yesterday it had bought a 29.3 per cent stake in Malaysian International Shipping Corporation, the country's state shipping concern. In what is believed to be the first step in a complicated privatisation scheme, Petronas declined to say how much it paid for the 29.3 per cent stake.

MISC was founded in 1963, with 23.5m shares in public hands. It was taken over by the government in 1974, and is now a wholly owned subsidiary of the state-owned Petronas.

heels of protracted negotiations for the acquisition of the same 29.3 per cent stake by Konsortium Perkapalan, an emerging road haulage and shipping company run by Mirzan Mahathir, the eldest son of the prime minister, Mahathir Mohamad.

Those negotiations were stalled by recent share price falls which left Mr Mirzan's bid price well short of what Kampulan Wang paid for the stake in 1994. Konsortium's offer valued the stake at around \$42bn (US\$22m), compared with the \$22.2bn which Kampulan Wang is believed to have paid.

Industry analysts said Petronas' acquisition of the MISC stake was unlikely to be permanent. It is more likely that the national oil company will sell on part or all of its holding to Konsortium when financial terms can be agreed, they said.

The transfer of the stake to Konsortium would bring Dr Mahathir closer to realising a crucial economic aim. By ensuring the lion's share of the nation's transport industry is controlled by his son, he could hope to see progress in diversifying Malaysian ports an estimated 3m tons (20 foot

equivalent units) of Malaysian cargo currently shipped through Singapore.

Dr Mahathir regards the shipping costs through Singapore as a needless outflow of funds which contributes to a swelling current account deficit. Singapore's port handles about 12m tons annually.

There were clear signs in the Petronas deal that Konsortium remains in the picture. The oil company will collaborate with the Konsortium group for the "betterment of sea and land-based logistics" in Malaysia, Petronas said.

Petronas is an important user of shipping services, especially in transporting cargoes of liquefied natural gas to Japan.

● Vans made with technology from Renault of France will be manufactured in Malaysia soon through a Malaysian, French and South Korean joint venture company.

The vans will be made by Industri Otomotif Komersial Malaysia, and will be in Kuala Lumpur by October.

Some 60 per cent of the van's content will be local, but engines, transmissions and some other parts will come from Renault.

Change of culture at SKF

Ball-bearings maker switches from Europe in search for growth

For Peter Augustsson, chief executive of SKF, the Swedish company which is the world's biggest maker of industrial rolling bearings, 2007 is an important date in his calendar. SKF will be 100 years old - and Mr Augustsson intends to be in place to lead the celebrations.

Only 42, and in his current post for just over two years, Mr Augustsson has time on his side. His plans for SKF are based around stepping up investments in growth markets outside Europe, particularly in south-east Asia.

"Last year we could have milked the company and produced profits of SKr300m-SKr500m more than we did," says Mr Augustsson. "But we chose to invest in projects with a longer perspective which will pay off later."

It remains to be seen whether SKF's investors will share the chief executive's patience. The company has been among the poorer performers on the Swedish stock market; its shares have underperformed by about 20 per cent in the past two years although more recently have started to buck up slightly.

"Bearings is not an easy business and Peter Augustsson has the right kind of ideas," says Adam Hull, an analyst at HSBC. James Capel in London. "But it's difficult to be convinced that the company is on the right track."

The problem for SKF - and other big groups in the world's bearings business, including FAG Kugelfischer of Germany, the US's Timken, and NSK and NTN of Japan - is that in most developed countries bearings are viewed as commodity products. Demand is muted, and competition tough.

Outside the main industrialised blocs, such as in east Asia, Latin America and eastern Europe, rapid economic growth makes prospects a lot juicier. But involvement in these markets is highly expensive both in terms of marketing and production, and seems unlikely to produce short-term pay-offs.

According to SKF, the average price of its products has risen by only about 1 per cent a year during the 1990s. Rolling bearings - which are divided into two types, roller and ball bearings - go into just about every kind of machinery with rotating parts, from cars to dish



Peter Augustsson: choosing to invest in projects with a longer perspective

washers. The world contains an estimated 100bn rolling bearings of all types.

"The bearings makers are creating a lot of value, but don't seem to be getting paid for it," says Bernard Horn, president of Polaris Capital Management, a Boston-based investment group. "I worry about the price discipline in the industry."

Mr Augustsson joined SKF in 1994, after 16 years in management and engineering jobs at Volvo, the biggest Swedish car company. He is attempting to tackle the poor external conditions at SKF in a variety of ways.

Accounting for roughly a fifth of the \$20bn a year world bearings market, the company has started a programme to reduce costs and increase productivity in its worldwide plants, with the aim of making the company more competitive.

Many of its 30,000 employees, two-thirds of whom are in Europe, are being grouped into "customer groups" to make them more responsive to market demands.

"We can't look for price increases as the basis for future growth, but must concentrate on removing costs and getting new products more quickly to our customers," says Mr Augustsson.

Among the new products are what SKF calls its Carb or compact-aligning roller bearing, which it is promoting as the biggest innova-

tion in the industry for 40 years. It reckons the Carb enables industrial machinery to run 15 per cent more quickly, with consequent productivity gains.

The company has spent some SKr5bn (\$625m) in the past two years boosting factory investment with a large chunk adding to production in what it sees as growth markets - the US, Poland, India, Malaysia and South Korea.

Over the same time the company has also established five joint ventures in China, in what many believe will add up to the world's second or third highest market for bearings early next century.

Mr Augustsson admits that in recent years the company has had too much of its production in the wrong place - in western Europe, where demand has been flat - instead of in south-east Asia, where bearings sales are expanding at up to 10 per cent a year.

Last year, when SKF turned in net income of SKr2.4bn on sales of SKr33.6bn, he reckons the cost to profits of this failure to be geared to growth markets was around SKr200m.

However, the investment strategy should gradually put this right. Over the next few years, he wants to double SKF's sales in Asia, which currently come to 13

per cent of its total, while pushing up revenues from North America (now accounting for a fifth of SKF's turnover) by 50 per cent.

Sales from Western Europe - which provides 55 per cent of SKF's revenues - will increase by no more than about 3 per cent a year, on Mr Augustsson's plans.

The final area of strategy is to concentrate more on "customised" bearings products, in which SKF can use its engineering skills to help solve a specific market problem, and accordingly charge a higher price.

An example could be a specialised component for truck axles, made under contract to a vehicle producer, and where SKF puts the basic bearing inside a specially engineered subsystem, increasing rotational efficiency and cutting fuel costs.

"The added value is greater; the skill is to sell our expertise as widely as we can," says Mr Augustsson. This underlines his general theme of switching the internal culture of SKF to ensure the "customer's voice comes over loud and clear".

He hopes to ensure that when SKF ultimately holds its 100th birthday party, it will be in better shape than now to prepare for its second century.

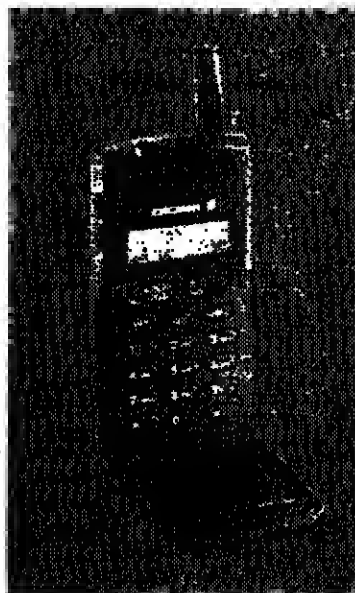
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Benchmark yield curve (%)
 22/9/97 ——— Month ago ———

Years	22/9/97 (%)	Month ago (%)
0	0.50	0.40
5	2.00	1.90
10	2.40	2.30
15	2.60	2.50

* All yields are quoted convention.
 Source: Moody's Lynch

Year	Value
1980	19,300
1981	19,000
1982	19,300
1983	19,000
1984	19,300
1985	19,000
1986	19,300
1987	19,000
1988	19,300
1989	19,000

Economists expect the trends to remain weak, reinforcing the view that consumption is still suffering the effects of the April sales tax increase.

Japanese government bonds, by contrast, are expected to continue their bull run after last week's record highs. The key 10-year JGB rose 0.04 on Friday to 106.58, while the yield fell to 2.050 per cent after reaching a record intraday low of 2.040 per cent.

Keywords: child sexual abuse; disclosure; social support

with Winterthur Insurance, will flesh out first-half **HONG KONG**

under the new government could restore some much needed faith in Hong Kong equities, whose Hang Seng index fell 4 per cent last week after a renewed outbreak of currency scares.

Three sites will be sold Wednesday, including a prime site in Repulse Bay which is expected to attract keen bidding from developers. Bankers calculate that the auctions, which will provide an important test of confidence for property shares, will bring in \$5bn.

An undertow of hullabaloo is being provided

H-shares, the shares of Hong Kong listed mainland Chinese companies. The H-share index rose 2.9 per cent Friday for a three-day surge of more than 18 per cent.

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BT (UK)	MCI (US)	Telecoms	\$17bn	Price agreed

\$850m	Increased offer
\$500m	LatAm expansion
\$175m	Cash offer
\$147m	Bid for No 1 slot
\$94m	Extends alliance
\$37m	Lifts joint venture stake

\$35m	Stake needs Indian OK
--------------	------------------------------

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ATHENS STOCK EXCHANGE August 18th - August 22nd 1997 **GREECE**

ASE INDEX	1582.82	P/E (after tax) 97a/95a	15.0761	GDP (USD bn) 97a	1134.1
%Chg 97a/95a)	70.83	EPS GROWTH (%) 97a	22.5	Per Capita Income (USD)	10,980
Yearly High	1725.38	EPS 97a / EPS GROWTH (%) 97a	0.57	Inflation Rate (% Y.O.Y. July 97)	5.4
Yearly Low	922.38	P/E 97a/95a	11.7742	August 12 M T-Bill rate (%)	9.1
WEEKLY VOL (USD m)	157.40	P/BV 97a/95a	3.3637	1-Month Airtel (%)	11.4
%Chg (Prev. Wk)	17.50	Div. Yield (%) 97a/95a	3.9311	GRDUSL (August 22, 1997)	286.3
1 YWk Avg Vol (USD m) 294.40				A.S.E. Market Capitalisation - 22/08/97 (USD bn)	35.4
				IPOs & Rights Issues (in USD m) Jan 1 '97-Aug 22 '97	1,204.4

INTERIM REPORT

SPARBANKEN SVERIGE WITH FÖRENINGSBANKEN JANUARY - JUNE 1997

Improved operating income

- Operating income rose by 23% to SEK 3,684 M
- Commissions net rose by 28% to SEK 2,082 M
 - Expenses rose by 4% to SEK 2,117 M
 - The loan loss ratio was 0.4%
 - Earnings per share SEK 7.56
 - Return on equity 20.4%

SPARBANKEN SVERIGE

Föreningsbanken

The report can be requested from Sparbanken Sverige, Investor Relations

homepage on the Internet www.sportsmedicine.com

WORLD INTEREST RATES[illegible]

Asian Franc	1 - 4	1 1/8 - 1 1/2	1 1/8 - 1 1/2	1 1/8 - 1 1/2	1 1/8 - 1 1/2	1 1/8 - 1 1/2	1 1/8 - 1 1/2
Asian Dollar	3 1/4 - 3 1/2	3 1/8 - 3 1/4	5 1/8 - 5 1/4	3 1/8 - 3 1/4	3 1/8 - 3 1/4	3 1/8 - 3 1/4	3 1/8 - 3 1/4
Asian Yen	5 1/8 - 5 1/4	5 1/8 - 5 1/4	5 1/8 - 5 1/4	5 1/8 - 5 1/4	5 1/8 - 5 1/4	5 1/8 - 5 1/4	5 1/8 - 5 1/4
Asian Euro	7 1/8 - 7 1/4	6 1/8 - 6 1/4	6 1/8 - 6 1/4	6 1/8 - 6 1/4	6 1/8 - 6 1/4	6 1/8 - 6 1/4	6 1/8 - 6 1/4
Asian JPY	3 - 3 1/4	3 - 3 1/4	3 1/8 - 3 1/4	3 - 3 1/4	3 - 3 1/4	3 - 3 1/4	3 - 3 1/4

For term rates see call for the US Dollar and Yen, others two day notice.

THREE MONTH EURO/DOLLAR (MM) \$1m points of 100%

	Open	Sell price	Change	High	Low	Est. vol.	Open int.
o	94.26	94.26	+1.70	94.28	94.25	31,473	455,066
c	94.09	94.09	-0.10	94.12	94.05	81,154	494,932
r	94.02	94.00	-0.14	94.03	93.87	91,257	343,900

US TREASURY BILL FUTURES (MM) \$1m per 100%

	o	c	r
o	94.91	94.92	-
c	94.79	94.81	-0.02
r	-	94.75	-0.02

Open interest figs. are for previous day

	%		%
Adam & Company	7.00	Duncan Lawrie	7.00
Bank of Ireland Bank (GB)	7.00	Essex Bank Limited	8.00
Henry Arscobach	7.00	Financial & Gen Bank	6.50
Bank of Baroda	7.00	Robert Fleming & Co	7.00
Sanco Bilanco Vozroza	7.00	Guinness Mahon	7.00
Bank of Cyprus	7.00	Heath Bank AG Zurich	7.00
Bank of Ireland	7.00	Homburg Bank	67.00
		Scottish Widows Bank	7.00
		Singer & Friedlander Bank	7.00
		Smith & Warden Secs	7.00
		Sun Banking Corp Ltd	7.00
		TSS	7.00
		United Bank of Kuwait	7.00
		Urbey Trust Bank Psc	7.00

Bank of Scotland	7.00	C. Moore & Co	7.00	Yorkshire Bank	7.00
Bank of Scotland	7.00	Hargrave & Shingara	7.00		
Bank of Scotland	7.00	Investec Bank (UK) Ltd	7.00	Members of London	
Bank of Scotland	7.00	Jaffar Hodge Bank	7.00	Investment Banking	
Bank of Scotland	7.00	Leopold Joseph & Sons	7.00	Association	
Bank of Scotland	7.00	Lloyds Bank	7.00	* in administration	
Bank of Scotland	7.00	Midland Bank	7.00		
Bank of Scotland	7.00	NatWestminster	7.00		
Bank of Scotland	7.00	Rees Brothers	7.00		
Bank of Scotland	7.00	Royal Bank of Scotland	7.00		

The Financial Times plans to publish a Survey on

Spanish Banking

on Wednesday October 15
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INVESTMENT TRUSTS - Contd[illegible]

Parking:

[illegible]

27-127

[illegible]

1275	Wash. Inst.	280
1631	Wash. Inst.	51
	Wash. Inst.	13

[illegible]

2008	Perman Worldwide	48	-1.0
2009	Zero One Prod	48	-1.0

4778	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4779	For G & Smt Sp Inc	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4780	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4781	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4782	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4783	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4784	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4785	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4786	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4787	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4788	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4789	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4790	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4791	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4792	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4793	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4794	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4795	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4796	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4797	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4798	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4799	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4800	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4801	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4802	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4803	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4804	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4805	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4806	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4807	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4808	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4809	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4810	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4811	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4
4812	United	89 1/4	+1 1/4	100	89 1/4	88 1/4	88 1/4	89 1/4	+1 1/4

2007	Zero Div P1			
2008	Outdoors East Inc	74		-1.5
2009	Zero Div P2			0.2

[illegible]

2775	100
2780	491

[illegible]

2.6	3323	Packaging Corp.	475	2.1
2.8	3904	Republic & Sons Inc.	230	2.1
2.9	3905		230	0.1

DATE	TIME	LOCATION	TYPE	STATUS	REMARKS
7/1	10:00	1000	1000	1000	1000
7/2	10:00	1000	1000	1000	1000
7/3	10:00	1000	1000	1000	1000
7/4	10:00	1000	1000	1000	1000
7/5	10:00	1000	1000	1000	1000
7/6	10:00	1000	1000	1000	1000
7/7	10:00	1000	1000	1000	1000
7/8	10:00	1000	1000	1000	1000
7/9	10:00	1000	1000	1000	1000
7/10	10:00	1000	1000	1000	1000
7/11	10:00	1000	1000	1000	1000
7/12	10:00	1000	1000	1000	1000
7/13	10:00	1000	1000	1000	1000
7/14	10:00	1000	1000	1000	1000
7/15	10:00	1000	1000	1000	1000
7/16	10:00	1000	1000	1000	1000
7/17	10:00	1000	1000	1000	1000
7/18	10:00	1000	1000	1000	1000
7/19	10:00	1000	1000	1000	1000
7/20	10:00	1000	1000	1000	1000
7/21	10:00	1000	1000	1000	1000
7/22	10:00	1000	1000	1000	1000
7/23	10:00	1000	1000	1000	1000
7/24	10:00	1000	1000	1000	1000
7/25	10:00	1000	1000	1000	1000
7/26	10:00	1000	1000	1000	1000
7/27	10:00	1000	1000	1000	1000
7/28	10:00	1000	1000	1000	1000
7/29	10:00	1000	1000	1000	1000
7/30	10:00	1000	1000	1000	1000
7/31	10:00	1000	1000	1000	1000

ET Surveys

HEALTH CARE - Cont.[illegible]

Material	Price of	Weight
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[illegible]

INSURANCE

[illegible]

UN/ TRUSTS SPILT CAPITAL

[illegible]

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(REGULATED)**)**

Highs & Lows shown on a 52 week basis

ASIA (Aug 22 / Fri)										US INDICES										AUSTRALIA (Aug 22 / Fri)									
Aug 22	Aug 21	Aug 20	High	Low	Aug 22	Aug 21	Aug 20	High	Low	Aug 22	Aug 21	Aug 20	High	Low	Aug 22	Aug 21	Aug 20	High	Low	Aug 22	Aug 21	Aug 20	High	Low					
Japan	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	Dow Jones	8258.31	8261.23	8261.23	8261.23	8258.31	8258.31	8258.31	8258.31	8258.31	S&P 500	825.00	825.00	825.00	825.00	825.00				
Thailand	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	Industrial	7897.91	7898.95	7898.95	7898.95	7897.91	7897.91	7897.91	7897.91	7897.91	NASDAQ	2067.00	2067.00	2067.00	2067.00	2067.00				
Philippines	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	Home Bldg	103.87	103.88	103.87	103.87	103.88	103.87	103.87	103.87	103.87	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
Malaysia	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	Transport	2307.02	2302.48	2302.52	2302.52	2307.02	2307.02	2307.02	2307.02	2307.02	Avg Comp	649.83	649.83	649.83	649.83	649.83				
Indonesia	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	Auto	253.15	229.41	229.32	229.32	253.15	253.15	253.15	253.15	253.15	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
South Korea	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	Elect	108.30	108.36	110.35	110.35	108.30	108.30	108.30	108.30	108.30	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
China	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	Finance	105.26	105.41	105.24	105.24	105.26	105.26	105.26	105.26	105.26	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
India	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
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Brunei	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
Myanmar	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
Laos	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
Vietnam	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
Timor	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
East Timor	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
North Korea	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
South Korea	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
China	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
India	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
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Myanmar	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
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North Korea	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
South Korea	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
China	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
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Brunei	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
Myanmar	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
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Timor	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
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North Korea	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
South Korea	145.75	146.11	146.28	146.28	145.75	146.11	146.28	146.28	145.75	NYSE Comp	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	478.93	NYSE Comp	478.93	478.93	478.93	478.93	478.93				
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4 pm close August 21

Stock	Pf	Yld	Size	High	Low	Last	Chng	Stock	Pf	Yld	Size	High	Low	Last	Chng	Stock	Pf	Yld	Size	High	Low	Last	Chng	Stock	Pf	Yld	Size	High	Low	Last	Chng
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FT GUIDE TO THE WEEK

MONDAY

25

Netanyahu in Japan

Benjamin Netanyahu, the Israeli prime minister, begins a week-long visit to Japan and South Korea to discuss the Middle East peace process and bilateral relations with political and business leaders. His priority, however, will be to drum up more investment for his country and expand trade relations with Tokyo, which has been reluctant to deepen ties with Israel at the expense of its close links with oil-producing Arab states. Japan depends heavily on Middle East oil imports. Mr Netanyahu, who is leading a large Israeli business delegation, will meet Ryutaro Hashimoto, the Japanese prime minister, today and speak to the country's leading business association, the *Keidanren*. He will travel to Seoul on Wednesday, where he will meet Kim Young-sam, the president, and Koh Kun, the prime minister, as well as business leaders.

IMF tackles Albania

An International Monetary Fund mission is due to hold talks in Tirana on emergency funding for Albania's new Socialist-led coalition government. But Prime Minister Fatos Nano will have to launch a tough stabilisation programme before negotiations can start on a new medium-term IMF loan for Albania. The talks will focus on regulating the pyramid savings schemes that collapsed in January, triggering widespread violence and economic chaos. The Nano government is trying to restore order following a Socialist landslide at last month's general election. But it faces pressure to compensate savers who lost an estimated \$1.2bn in the fraudulent schemes.

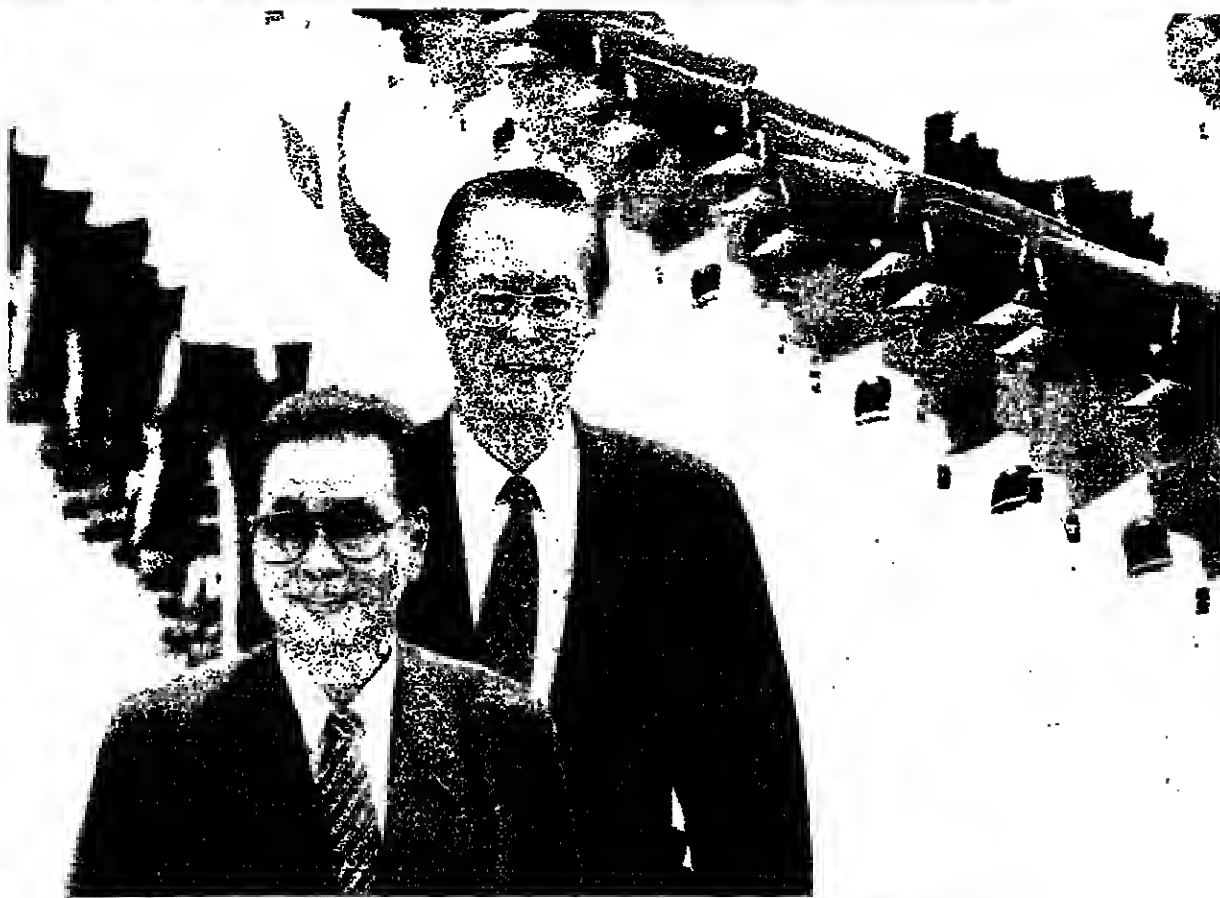
Chinese network



More than 1,200 delegates have descended on Vancouver for the fourth World Chinese Entrepreneurs Convention (to 28). The convention serves as a venue for the Chinese business community to establish global networks, explore potential ventures and address important issues facing the community. It will be the first time the biennial event is held outside Asia. Key delegates include Mr Zheng Wan Tong, a member of the political consultative committee of the People's Republic of China, Mr Jing Shuping, chairman of the All-China Federation of Industry & Commerce, and Mr Stan Shih, chief executive of Acer, the Taiwanese computer manufacturer.

Nordic security talks

Ministers and diplomats from eight Nordic and Baltic rim countries meet in Helsinki for a two-day congress on regional security. The meeting, organised by the Nordic Council, will



Li Peng, China's premier (left), with Goh Chok Tong, his Singapore counterpart, arrives in Singapore to discuss bilateral ties.

discuss the implications of Nato enlargement for the Baltic Sea region as well as ways of minimising the risk of armed conflict. The talks, to be opened by Finnish prime minister Paavo Lipponen, will also cover economic co-operation, pollution and the problem of unsafe nuclear power stations.

Li Peng visits Singapore

Li Peng, China's premier, is in Singapore on the second leg of his two-nation trip in Southeast Asia. He is due to meet Goh Chok Tong, the prime minister, and Lee Kuan Yew, the senior minister in Singapore's cabinet. Mr Li is using his trip in Southeast Asia to build relations with the nine-nation Association of South East Asian Nations and promote a "new political and economic order" in which poorer countries are not bullied by the more wealthy. Although he does not mention the US by name, it is clear Mr Li is seeking to balance Washington's power in the region by engaging Asean.

Poliburo trial verdict

Berlin's district court is expected today to issue a verdict in the trial of three former members of the East German Politburo on charges of manslaughter in connection with the killing of people along the border which once divided the two Germanies. If found guilty, the three men, Egon Krenz, Günter Schabowski and Günther Kleiber, face sentences of up to nine years in prison. Mr Krenz, who in 1989 succeeded Erich Honecker as first secretary of the SED, the East German communist party, has denied personal responsibility and said the trial was a case of "victor's justice".

UN hears Cuban claim

Members of the UN biological weapons convention meet in Geneva to consider Cuban accusations of "biological aggression" by the US. Havana claims a US crop-spraying aircraft last October deliberately released a damaging pest known as thrips palm over Cuba. The insect, hitherto unknown in Cuba, ravages many types of crop and is resistant to a wide variety of pesticides. Washington denies the charge. The UN convention, ratified by 138 states, prohibits the production and use of biological weapons but contains no mechanism for international verification.

Taiwan's new cabinet

Taiwan will this week appoint a new cabinet during the ruling Nationalist party's 15th party congress. The move follows the resignation last week of the premier, Lien Chan. The new cabinet will be headed by Vincent Siew, a parliamentary legislator who has held the posts of economic planning minister and minister for China affairs. The cabinet reshuffle is likely to include the defence, foreign affairs and deputy premier posts. Economy, finance and central bank are expected to remain. The new cabinet will focus on improving ties with rival China, law and order and economic growth.

Canberra agenda

Australian federal politicians return to Canberra today after a two-month parliamentary break. John Howard, prime minister, has pushed income and indirect tax reform to the top of the agenda. Other issues due to come up in the session are amendments to the Native Title Act and a policy on

industry, especially a decision on tariffs for the textile, clothing and footwear sectors.

Golf

New York Open (to September 7).

Public holidays

Summer bank holiday in the UK but not Scotland.

TUESDAY 26

El Niño looms large

The effect of El Niño weather system on the world's climate will be one of the main themes of an international climate conference that starts today in Geneva (to August 28). The World Meteorological Organisation, one of the conference sponsors, says this year's El Niño is shaping up to be the most important climate event of the century. The impact of El Niño, an abnormal surface temperature rise of the tropical Pacific, is already being felt in South America and east Asia. Researchers say the final consequences are likely to surpass those of the 1982-83 El Niño which severely affected crop production worldwide.

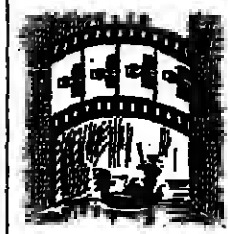
WEDNESDAY 27

Japan-Singapore talks

Goh Chok Tong, Singapore's prime minister, arrives in Japan for a four-day visit to discuss bilateral relations and regional issues ahead of the Japan-Asean summit in Malaysia in December. Mr Goh, one of the most active leaders in the Association of

South East Asian Nations, will meet Ryutaro Hashimoto, Japan's prime minister on Friday. The two are expected to talk about the recent currency crisis in Thailand and other Southeast Asian markets and regional concerns about the strength of Japan's commitment to help prevent further currency havoc.

Venice on screen



Film buffs will be descending on Venice for this year's film festival which has already pronounced that the emphasis is going to be on top quality, not top names. The festival (to September 6) organisers have emphasised that it is not just for the photographers. Having said that among the top names on the bill will be Demi Moore, Woody Allen and Emma. The few star-filled productions are Woody Allen's *Deconstructing Harry*, with Demi-Moore, Robin Williams and the director himself; Mike Figgis' *One Night Stand* with Nastassja Kinski and Wesley Snipes, and Alan Rickman's *The Winter Guest* with Emma Thompson.

Cook in Southeast Asia

Robin Cook, the UK foreign secretary, is due to pay a two-day official visit to Malaysia at the start of a Southeast Asian tour which will take in Indonesia, the Philippines and Singapore. Mr Cook, on his first visit to the region since the Labour Party took power, will deliver a key speech in Kuala Lumpur which will set out strands of UK policy toward Southeast Asia. He is expected to discuss with regional leaders Asean's diplomatic efforts to promote stability in Cambodia since a recent coup in that country. He also intends to discuss efforts to promote reform in Burma.

China trade talks

Japanese and Chinese negotiators to begin three-day talks in Tokyo on issues related to Beijing's bid to join the World Trade Organisation. Japan's support for China's application is crucial.

Show jumping

European show jumping championships (to August 31). Mannheim, Germany.

THURSDAY 28

Bonn-Paris meeting

Progress towards European monetary union will be the focus of a meeting in Bonn between Helmut Kohl, German chancellor, and Lionel Jospin, the new French prime minister. Relations between the two countries have been ruffled in recent months as Bonn viewed with concern an apparent softening in France's determination to meet exactly the financial criteria set

for members of the proposed Euro currency block. Mr Kohl may well see the meeting as an opportunity to reinforce the Bonn/Paris relationship.

FRIDAY 29

Tokyo textbook ruling

Tokyo Supreme Court is due to hand down a ruling on controversial case about textbook censorship filed 13 years ago by a leading historian. Saburo Ienaga, Mr Ienaga, now 83, filed a damages suit against the government in 1984 over revisions made to school texts he authored - in particular, censorship of items dealing with Japanese atrocities in China in the 1930s. Mr Ienaga is seeking ¥2m in compensation for the mental anguish caused by the revision of his texts, and has specifically challenged eight of more than 400 revisions demanded by the Education Ministry to his textbooks between 1980 and 1983. Among them is the ministry's deletion of a passage stating that Japanese soldiers killed large numbers of Chinese civilians and soldiers and "not a few" Japanese officers and soldiers raped Chinese women.

WEEKEND 30-31

Sudan peace bid

Omar al-Bashir, president of Sudan, plans to meet John Garang, leader of the rebel Sudan People's Liberation Movement, on Saturday in a bid to end the country's 14-year-old civil war. The talks will be hosted in Pretoria by Nelson Mandela, the South African president, and Yoweri Museveni, the Ugandan president. Mr Museveni, a staunch critic of the Bashir regime, was instrumental in supporting the rebel forces which toppled Mohutu Sese Seko, the former Zairean despot earlier this year. His participation in Mr Mandela's mediation effort has raised hopes Mr Garang will attend the meeting.

Rocking on



Elvis is back again. This time Bonhams, the London auctioneers, is on Saturday offering Presley fans one of the largest collections of his possessions, stage suits and memorabilia to be collected in one sale. The sale features the collection of Paul Lichter, the Elvis fan, author and collector, and includes two of the pop star's most lavish stage suits. The Peacock suit is expected to fetch between \$90,000-\$120,000 and the Turquoise Phoenix suit \$80,000-\$90,000. The auction will be held simultaneously, via a live satellite link, at the Hard Rock Cafe, Berlin.

Compiled by Bob Vincent
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Other economic news

Monday: US existing home sales are thought to have rebounded last month after June's decline. The Swedish trade balance is forecast to have changed little last month.

Tuesday: US durable goods orders are not expected to have risen as quickly last month as they did in June, as aircraft orders subsided. US consumer confidence is thought to have remained high in July.

Wednesday: Britain's trade deficit with the rest of the world is forecast to have widened in June, although the non-EU deficit should have declined in the following month.

Thursday: US gross domestic product growth is expected to be revised upwards from the annualised 2.2 per cent provisionally estimated for the second quarter. Growth in the Netherlands is meanwhile thought to have accelerated between the first and second quarters.

Friday: The French unemployment rate is thought to have unchanged in July. Personal income growth in the US is thought to have slowed in July.

Statistics to be released this week

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon		France	July consumer price index final	-0.2%	-0.2%	US			Initial claims 23 August		\$37K
Aug 25		France	July consumer price index final**	1.0%	1.0%	Canada			June fix-weighted employee earnings**	0.7%	0.0%
		Germany	August Hesse cost of living*	0.0%	0.5%	US			M2 - wk ended 18 August		\$5.0bn
		Germany	August Hesse cost of living**	1.7%	1.6%	Nethis			Q2 gross domestic product prelim**	2.5%	-0.5%
		Sweden	June trade balance	\$K9bn	\$K13.6bn	Nethis			Q2 gross domestic product prelim**	3.2%	2.1%
		Germany	August prelim cost of living West*	-0.05%	0.4%	Fri			Aug consumer price index (Tokyo)**	1.6%	1.4%
		Germany	August prelim cost of living West**	1.8%	1.7%	Aug 28			Japan consumer price index (nation)**	1.7%	2.2%
Tues		US	July durable orders	+0.2%	2.3%	Japan			July CPI (nation) ex-perishables**	1.8%	2.0%
Aug 26		US	July durable shipments		1.8%	Japan			July Unemployment rate	3.5%	3.5%
		Canada	July department store sales**	10.4%	10.4%	Japan			July industrial production SA	1.2%	-3.2%
Wed		UK	June global visible trade	-\$890m	-\$908m	France			July unemployment rate	12.6%	12.6%
Aug 27		UK	July ex-EU visible trade	-\$638m	-\$713m	France			June industrial production SA*	0.5%	-1.6%
		UK	July UK harmonised con price index		1.7%	France			June industrial prod-ex energy*	0.7%	-1.7%
		Canada	Industrial production price index*	-0.1%	-0.2%	Italy			Q2 preliminary gross domestic prod***	0.8%	-0.2%
		Canada	July raw materials price index	-0.5%	-2.3%	US			July personal income		0.3%
		Japan	Aug wholesale price index (2nd 10 days)		0.0%	Canada			Q2 real gross domestic prod***, SA	4.4%	3.4%
Thurs		A/ralia	Q2 current account balance	-\$2.9bn	\$4.6bn	US			July new home sales	\$12K	\$19K
Aug 28		A/ralia	Q2 private new capital expenditure	2.3%	6.5%						
		France	June trade balance SA	FF14bn	FF16.5bn						
		Thailand	June exports-BOP**		0.7%						
		Thailand	June imports-BOP**		-10.2%						
		Thailand	July M2**		14.2%						
		US	Q2 gross domestic product preliminary	+3.3%	2.2%						
		US	Q2 gross domestic product price index+1.4%		1.4%						
		US	Q2 after tax corporate profit	+2.2%	2.9%						

*month on month, **year on year, ***qtr on qtr, seasonally adjusted

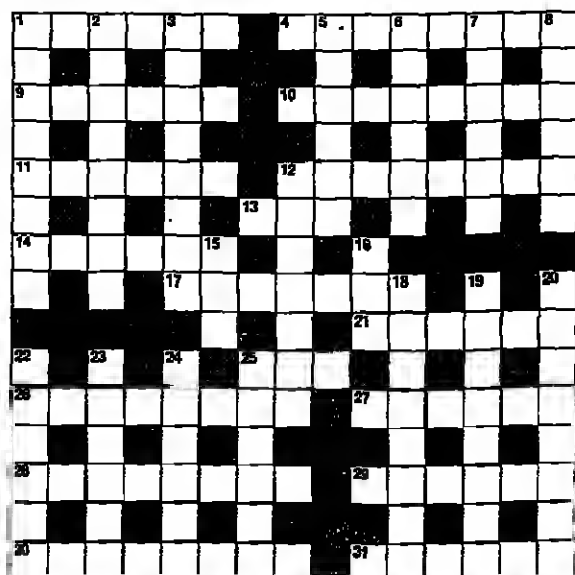
Statistics, Standard & Poor's MMS.

ACROSS

- Lower or upper garment (6)
- Co-operation shown by players with practice (8)
- Withdrawal from the general retreat (6)
- Spills Worcestershire opener's time at the crease (8)
- It's still not making you weep (8)
- One reeks terribly of paraffin (6)
- Man's chains can be cast off (3)
- Rental adjusted for the head branch (6)
- Is splitting the country, but facing the facts (7)
- Worked in fields, but got laid off (6)
- A deity to follow in retreat (3)
- Court awards fortune to railway (8)
- Ten-foot sea midget (6)
- Shocked when dismissed by newspaper boss (8)
- Part of the mass is identified with St Francis (6)
- I need to think, and I want to look (3,2,3)
- She turned to stone (6)

DOWN

- One in Jan here sadly is a doleful character (8)
- Make a fresh appearance (8)
- Technician born in a disturbed reign (8)
- No longer lies about being outcasts (6)
- Guide team over the hill (6)
- Cats required - there are sixteen in the pound (6)
- Musical destiny (6)
- There's pleasure after the game but he spoils it (7)
- Traveller in cloth? (8)
- A quiet wood (3)
- Wielding the mop is the devil (8)
- Double gin and it drunk - producing a glow? (8)
- Acceptance of notice before election (8)
- Artistic group in Rugby? (6)
- A good man in the mine, but too old for the job now-adays (4,2)
- Wild capers may get you into one (6)
- Fat, it is said, of the land (6)



WINNERS 9,450: Julie Peacock, Leamington Spa; Mrs M. Callaghan, Malvern, Worcestershire; C.A. Sanderson, London W1; J. Ridley, Woodhall Spa, Lincolnshire.

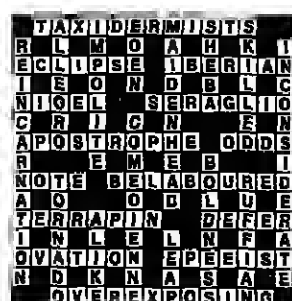
MONDAY PRIZE CROSSWORD

No.9,462 Set by DANTE

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of 500 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday September 4, marked Monday Crossword 9,462 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday September 8. Please allow 28 days for delivery of prizes.

Name _____
Address _____

Solution 9,450



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